

# The Leading PayTech

Redefining Payments in Italy



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# 1Q 2020 Results

May 12<sup>th</sup>, 2020



# Executive Summary

## Covid-19 update

- After ~2 months of lockdown in Italy, one of the strictest in Western Countries, on May 4<sup>th</sup> Phase 2 started with a gradual easing of lockdown measures. Several government initiatives to support businesses and families being executed
- **Full business continuity and usual high standards of efficiency ensured while safeguarding health and safety of all employees** since the start of the emergency at the end of February
- Several **social and sustainability initiatives** launched to support consumers, merchants and institutions across the Country
- **Nexi resilient business and economic model:**
  - 52% revenues related to installed base not directly impacted by volume contraction, 48% revenues related to volumes<sup>1</sup>
  - 38% variable costs<sup>1</sup> linked to volumes/ level of activities
- **Strong January and February performance** (acquiring+issuing value of managed transactions +5.4% Y/Y) **and contraction in March and April** (acquiring+issuing value of managed transactions -33.0% Y/Y and -43.4% Y/Y respectively) due to lockdown measures. **Volume decrease mainly driven by travel, tourism, restaurants and discretionary consumption sectors while basic consumption category increasing in volumes. E-commerce transactions declining less and materially accelerating out of travel/tourism sectors.** Last week rolling (2<sup>nd</sup> – 8<sup>th</sup> May) shows very early signals of possible initial recovery across categories, to be confirmed in the coming weeks: acquiring+issuing value of managed transactions<sup>2</sup> -25% Y/Y
- Early observations of customers' behaviors evolution well support secular growth of digital payments. **Nexi already accelerating product and initiatives plans**, in anticipation of “new normal” customer needs

# Executive Summary

## 1Q20 results highlights

- **EBITDA +3.9% y/y growth**, at 115.0 €M in 1Q20
- **Revenues -0.5% y/y growth**, at 225.3 €M in 1Q20

## Key business initiatives

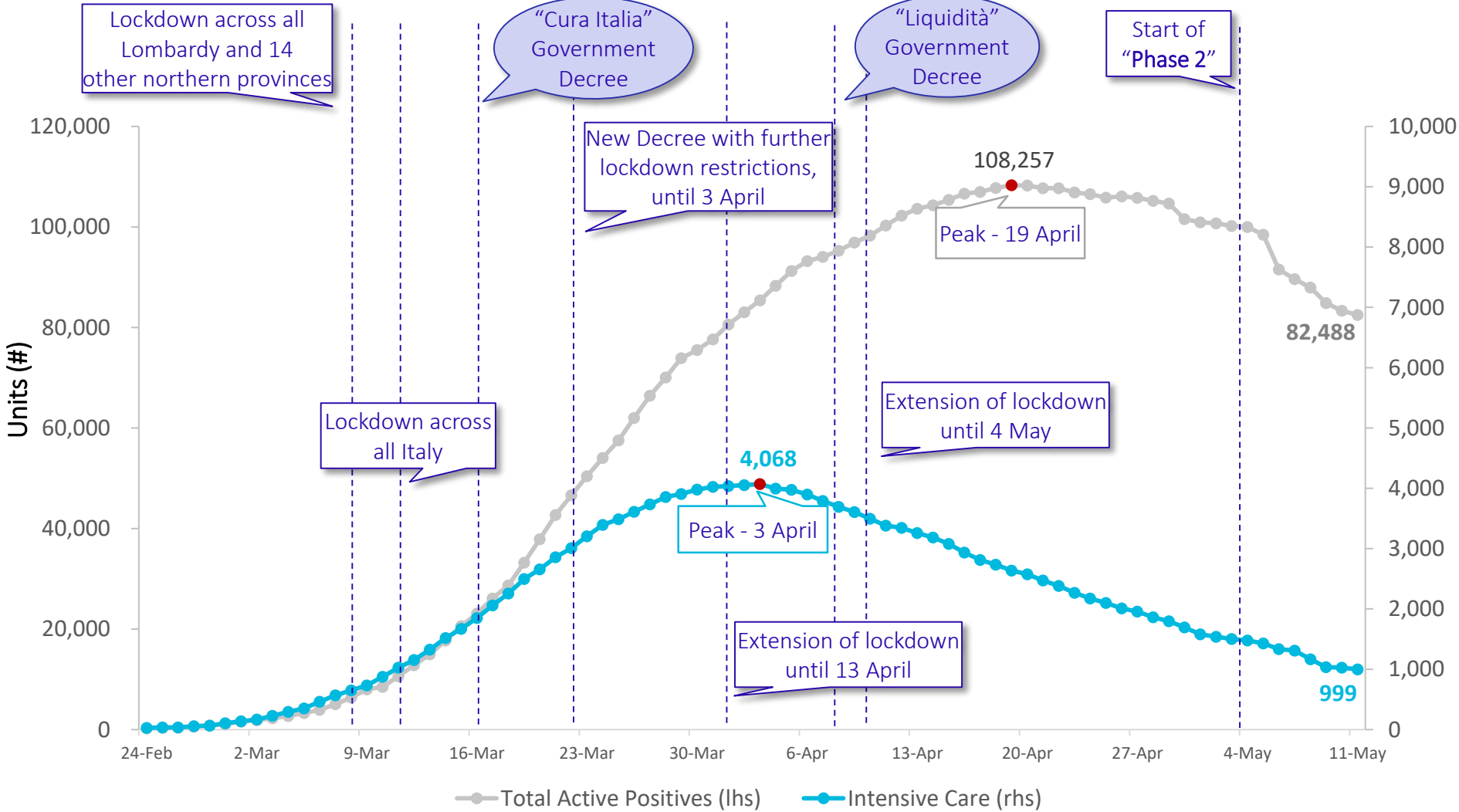
- **Merchant Services & Solutions** (47% of Revenues): new partnerships to accelerate E-commerce for SMEs (e.g. Italiaonline), launch of Pay-by-Link for remote payments acceptance and Nexi Welcome as entrance proposition for merchants without POS
- **Cards and Digital Payments** (41% of Revenues): launched education/communication campaign on cardholders to help “less digital” consumers to buy online and use contactless; continued progress on YAP
- **Digital Banking Solutions** (12% of Revenues): new propositions acceleration, further step into Open Banking leadership thanks to the launch of “Nexi Open” ecosystem, including partnerships with Plug and Play and Microsoft
- **Cost -4.8% y/y**. Decrease mainly driven by variable costs linked to volumes/activities and continued focus on efficiency
- **Strong cash position. 1Q20 Net financial Debt/EBITDA at 2.8x**
- **1Q20 Pro-forma data for ISP’s Merchant Acquiring acquisition**: Revenues +1.0% y/y growth and EBITDA +6.3% y/y growth

## Financial guidance

- 2020 volume-driven revenue will depend on the duration of the peak, the speed of recovery and the dynamics by sector; **100+ €M cash cost containment plan across different categories being implemented**, while remaining fully focused on implementing commercial plans and strategic initiatives to support future growth
- **Financial guidance conservatively suspended, while implementing cost/capex initiatives to minimize impact on EBITDA and cash flow**

# Covid-19 situation improving. Phase 2 started in May with gradual easing of lockdown measures and material government interventions to support recovery

## Evolution of Active Positives and Intensive Care Cases in Italy



## "Phase 2" Key Dates

- 4-May**  
Re-opening of manufacturing / industrial production, B2B activities and food delivery.  
Re-opening of parks and visit of relatives within the Region allowed.
- 18-May**  
Re-opening of retail businesses, museums and exhibitions (with controlled accesses)
- 1-June (anticipation being considered)**  
Re-opening of bars, restaurants, barber shops and beauty centers.  
Schools to re-open from September
- New Government Decree "Rilancio" expected in May**

# Ensured full business continuity and highest efficiency of service, while safeguarding health and safety of all employees

## Swiftly implemented effective business continuity plan

- Creation of a dedicated crisis management task force in place since day1 with Executive Committee supervision
- Definition and implementation of an **emergency plan** aiming to guarantee **health and safety** of colleagues / third parties and **Business continuity**
- **Coordination and cooperation** with Bank of Italy, Civil Protection and other relevant Authorities



### People Safety

- **>95% Nexi people in remote working since the beginning**
- Remote working, collaboration tools and IT security enhancement fully in place
- Implementation of precautionary measures for the limited number of employees still working in the operational centres
- Continued companywide communication
- Dedicated employees Welfare program



### Business Continuity

- **Guaranteed 100% functioning of all services**, including operations of all POS acceptance terminals and ATMs and cards production/personalization
- Activated business continuity strategies for **outsourcers**
- **Maintained or even improved all service levels**
- **Improved NPS** across most areas

# Launched several customer and social initiatives to support Italy through the crisis

## Customer Initiatives



### E-commerce for SMEs

- All physical contracts already extended to e-commerce (XPay360)
- Partnerships to offer easy website development/ payment gateway bundle (e.g. ItaliaOnline)
- Payment provider for shop-owners national association for pay now/use later Restaurant vouchers



### Nexi Pay-by-Link

Remote acceptance service via mail, sms, whatsapp,.. for use cases such as home delivery. Fees waived until year end



### Nexi Welcome

Mobile POS proposition. Monthly fees waived on new activations until end of June



### Micro-payments

Merchant fees refund for SMEs on payments <10€. From the 1<sup>st</sup> of March until year end



### Cardholders education

Communication campaign on cardholders to help “less digital” consumers to buy online and use contactless

## Social initiatives



### Support to Italian Institutions

- Streamlining of government subsidies payments through Nexi Open Banking platform (real-time bank data check)
- Yap mobile payments app under evaluation as digital payment tool for Red Cross volunteer teams



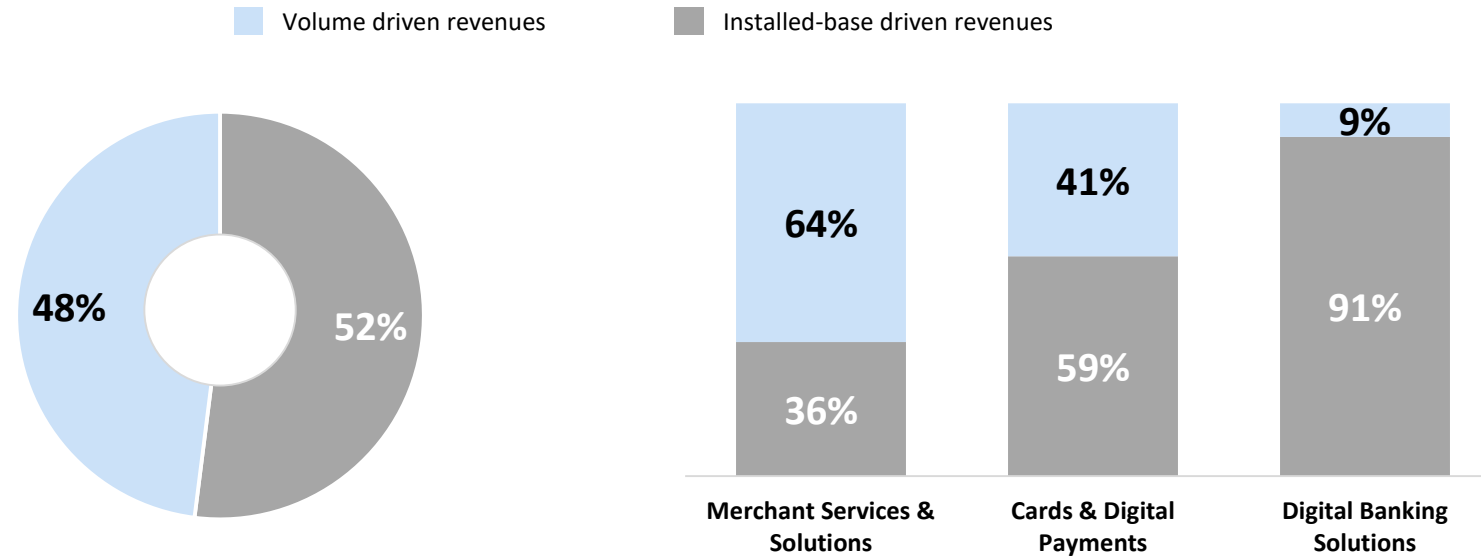
### Community Charity program

- Donation program from employees, customers and company to support the creation of the new Covid-19 hospital in Milan, with 1 €M collected

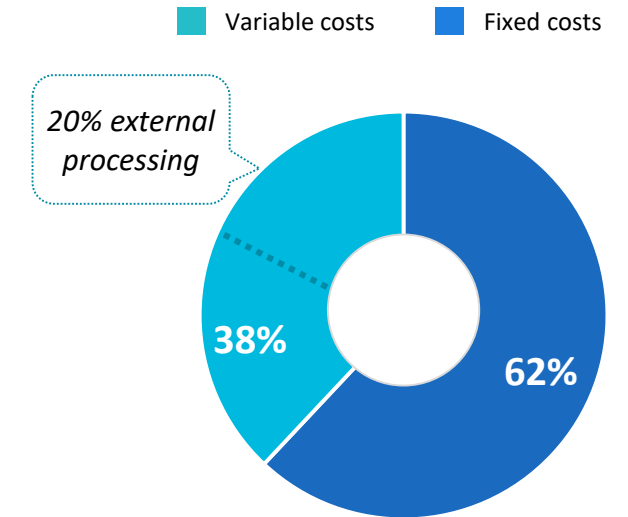


# Resilient business model with 50+% revenues not impacted by volumes and 38% variable and semi-variable costs

## Revenues breakdown<sup>1</sup>



## Operating costs breakdown<sup>1</sup>

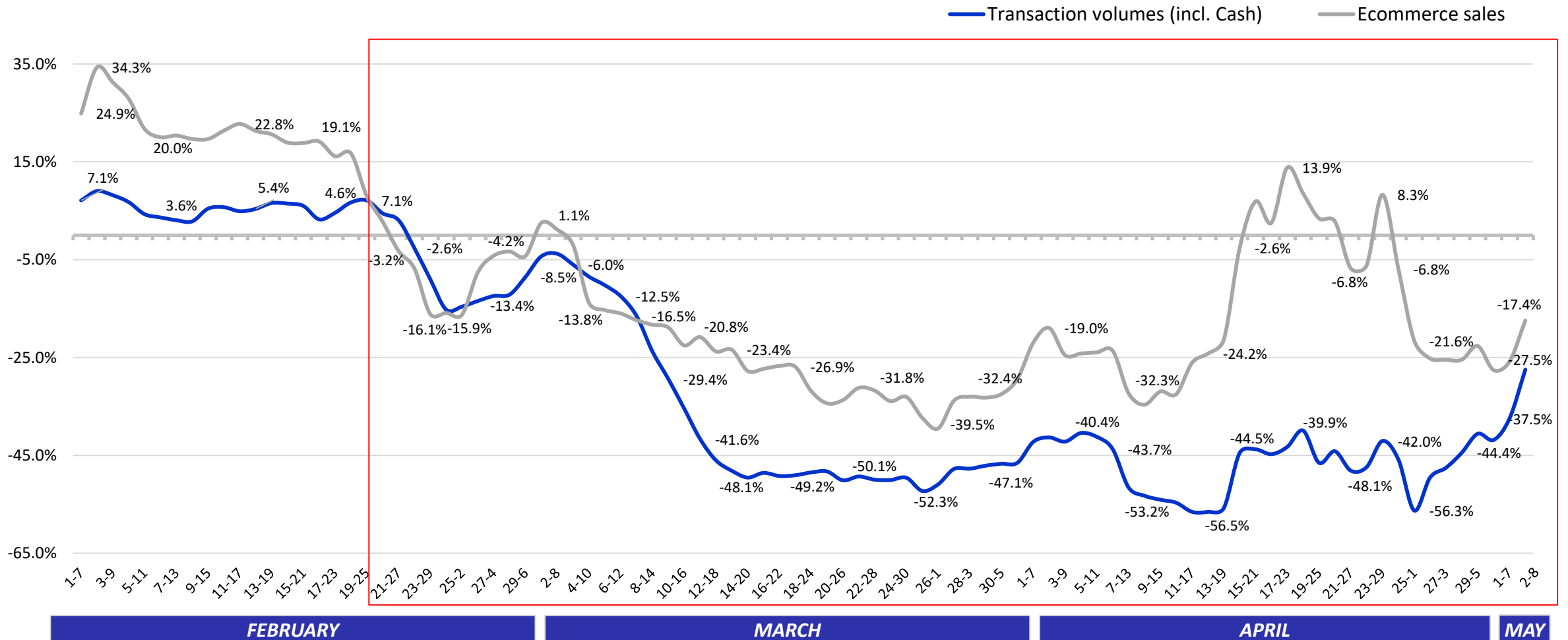


- **Installed Base Driven revenues** are subscription-like and linked to n. of POS terminals, n. of merchants, managed cards, n. of ATMs, etc.
  - No material expected impacts in the short term.
  - Closely monitoring the evolution to confirm the expected limited medium/long term impact due to POS installation slowdown and SMEs potential distress
  - Possible rephasing of certain projects
- **Volume Driven revenues** driven by n. of transactions and value of transactions
  - Direct impact from volume contraction due to Covid-19

- **Variable costs** linked to:
  - Volumes of transactions (e.g. external and internal processing)
  - Level of activities (e.g. variable compensation, external contact center, POS and ATM management, operations,..);
- **Fixed costs**  
(e.g. personnel, running IT costs, g&a,..)

# Transaction volumes decreasing since the end of February, now stabilizing at ~-50%. E-commerce declined less sharply compared to physical sales

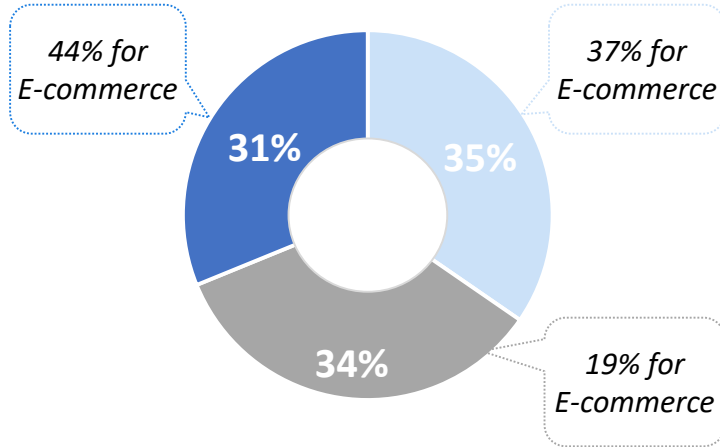
## Acquiring transaction volumes - 7-days rolling % change Y/Y



Covid-19 timeframe in Italy

# Volume decrease driven by high-impact and discretionary spending while growing in basic consumption. E-commerce acceleration outside travel and tourism

## Acquiring volumes by category<sup>1</sup>



### Basic consumption

Groceries, medical retail, utilities and services (e.g. insurance, bank services)

### Generic/discretionary consumption

Clothing, household, other non-alimentary retail and other services (e.g. laundries, beauty)

### High-impact consumption

Hotels and restaurants, travel and transports, entertainment, etc.

## Product category

### Basic consumption

of which Physical  
of which E-commerce

### Generic/discretionary consumption

of which Physical  
of which E-commerce

### High-impact consumption

of which Physical  
of which E-commerce

### Total

of which Physical  
of which E-commerce

## % change Y/Y

	Jan + Feb	March	Apr	Last week rolling <sup>2</sup>
<b>Basic consumption</b>	<b>15%</b>	<b>13%</b>	<b>11%</b>	<b>18%</b>
of which Physical	15%	12%	9%	19%
of which E-commerce	27%	31%	42%	16%
<b>Generic/discretionary consumption</b>	<b>6%</b>	<b>-62%</b>	<b>-77%</b>	<b>-58%</b>
of which Physical	5%	-65%	-81%	-63%
of which E-commerce	25%	8%	47%	55%
<b>High-impact consumption</b>	<b>10%</b>	<b>-68%</b>	<b>-89%</b>	<b>-77%</b>
of which Physical	10%	-67%	-89%	-76%
of which E-commerce	10%	-75%	-90%	-85%
<b>Total</b>	<b>11%</b>	<b>-35%</b>	<b>-48%</b>	<b>-35%</b>
of which Physical	10%	-36%	-50%	-36%
of which E-commerce	19%	-21%	-17%	-17%

## 2020 Acquiring volumes: split between Physical and E-commerce

	Jan + Feb	March	Apr	Last week rolling <sup>2</sup>
Physical	93%	92%	90%	90%
E-commerce	7%	8%	10%	10%

# Nexi accelerating product plans, in anticipation of “new normal” customer needs

## Observed/expected trends

- Large and mid-size merchants **accelerating on omnichannel**
- **SMEs engaging with ecommerce and remote payments** for deliveries/@home services
- Accelerated **online purchasing**
- Increased consumer focus on **security and budget control**
- **B2B payments going more digital**, (checks decreasing,..)
- Services digitalization acceleration, Open Banking area of focus
- Banks **materially accelerating digitalization**, with an «omnichannel» focus

## Merchant Services & Solutions

- **Acceleration of new omnichannel proposition** for Large Merchants; extension to mid-Large segment
- «E-commerce in a box» proposition for SMEs through new **partnerships with store platforms**
- New mobilePOS/app proposition for **home delivery and mobility payments**
- Push on **Pay-by-link** for remote acceptance service
- ...

## Cards & Digital Payments

- New push on **prepaid/international debit** as mass-market ecommerce enabled cards, with enhanced **card control** capabilities
- **Acceleration of digital onboarding/digital issuing capabilities** for banks
- **B2B commercial/virtual cards** to manage working capital for corporates (i.e. supply chain networks)
- ...

## Digital Banking Solutions

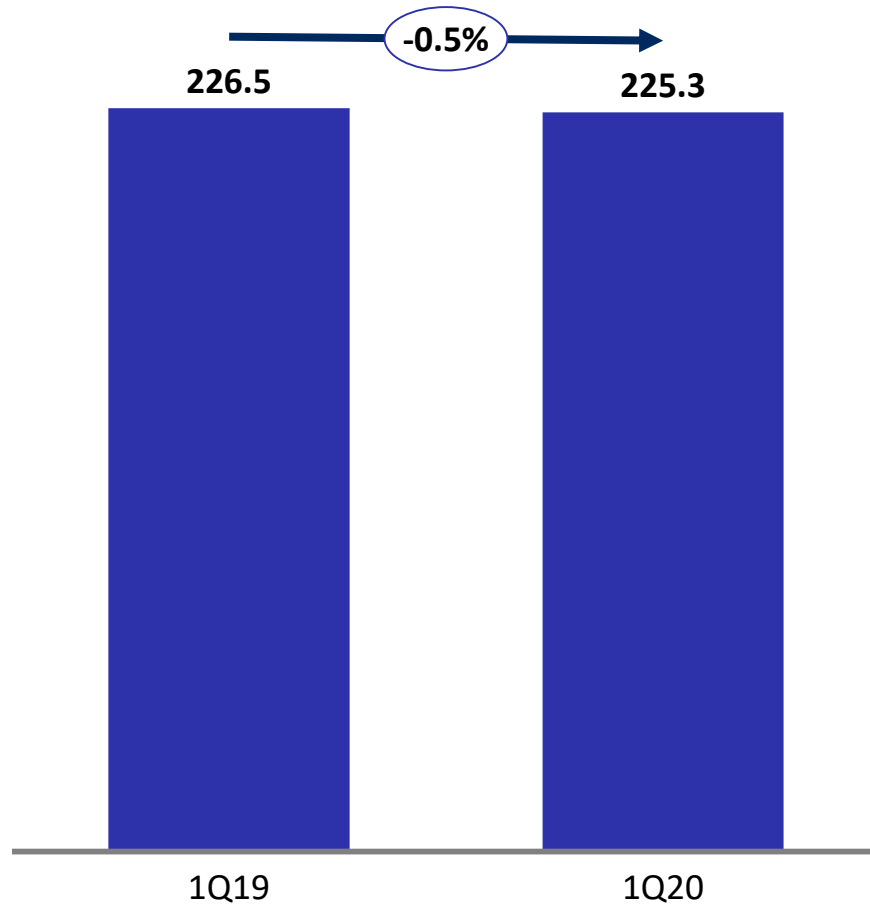
- Push for **advanced ATMs** (self banking vs in-branch services)
- B2B use cases for **Instant payments** (i.e. cash pooling, distribution networks,..)
- Enrichment of **Open Banking proposition** through both Nexi services and partnerships (fintechs,..)
- ...

# Focus on 1Q20 Results

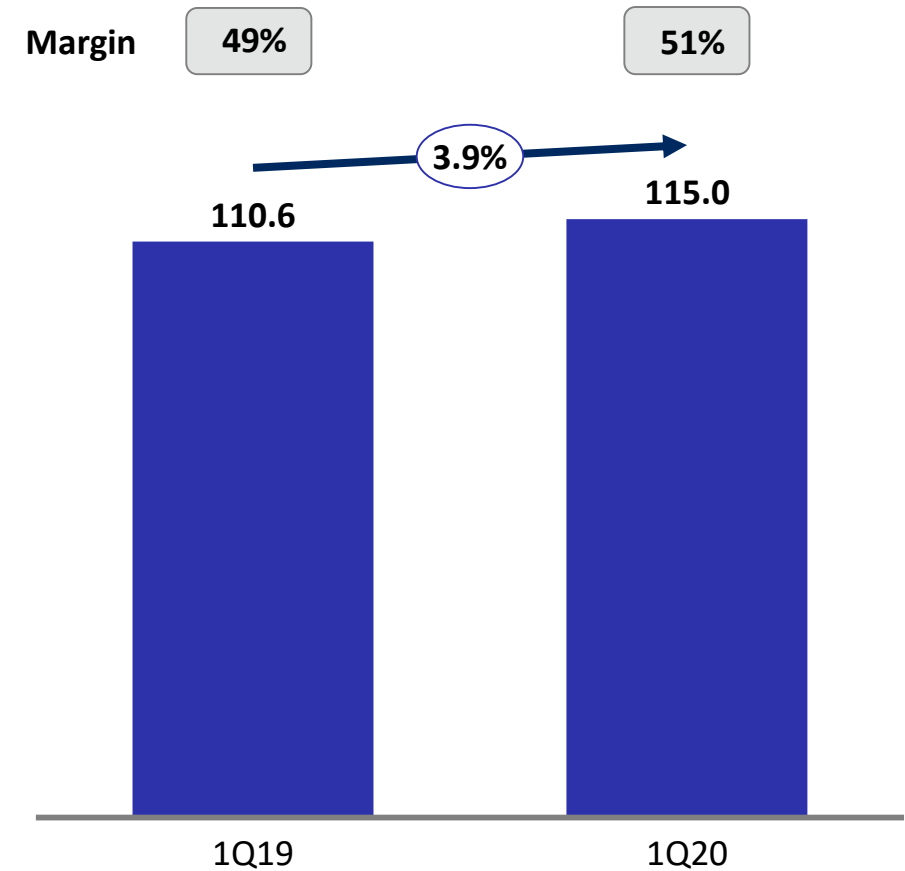


# Resilient Net Revenues and positive EBITDA performance, despite the deterioration in March due to lockdown measures

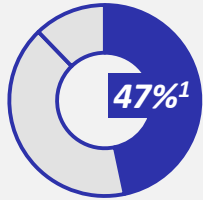
Net Revenues (€M)



EBITDA (€M)



# Merchant Services & Solutions: ~40% of revenues not impacted by Covid-19



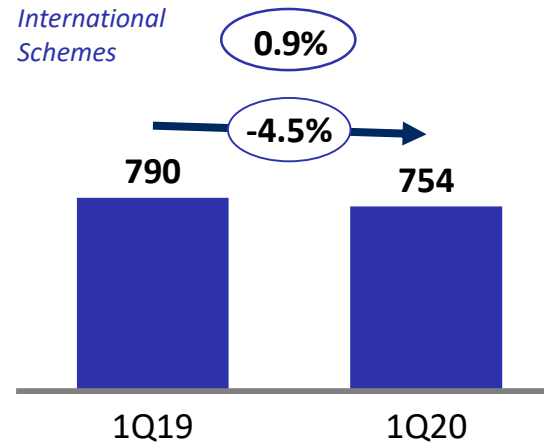
Merchant Services & Solutions



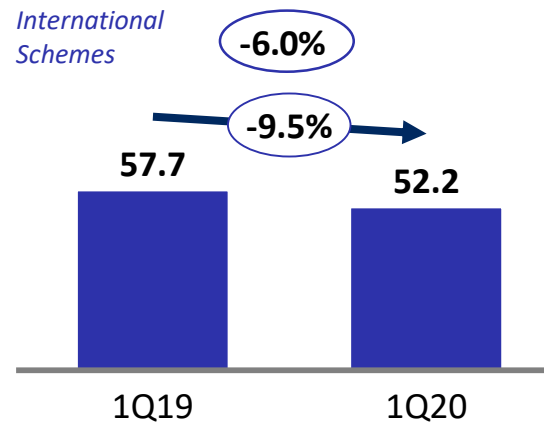
## Net Revenues (€M)



## Managed Transactions (#M)



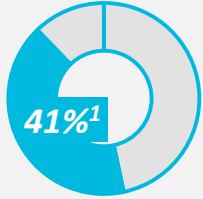
## Value of Managed Transactions (€B)



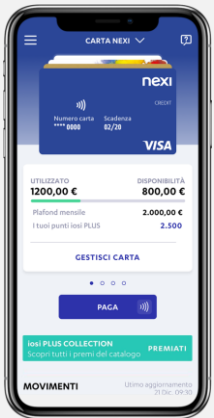
## Key Highlights

- Managed transactions sustained by International Schemes growth (+0.9% y/y)
- Value of managed transactions sustained by International Schemes (-6.0% y/y)
- E-commerce less impacted by Covid-19 compared to physical sales (+4% y/y transaction value). Strong acceleration in non-travel/tourism related sectors
- New partnerships to accelerate E-commerce for SMEs (e.g. Italiaonline, StoreDen, eDock, ..)
- Launch of Pay-by-Link for remote payments acceptance
- Launched Nexi Welcome as entry level proposition for un-possessed merchants or as "second POS" for deliveries

# Cards & Digital Payments: ~60% of revenues not impacted by Covid-19



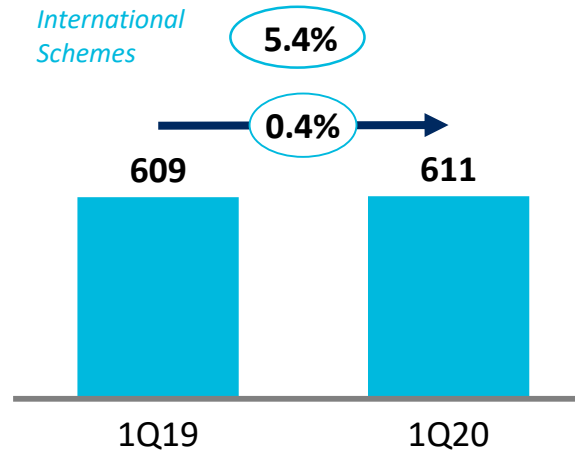
## Cards & Digital Payments



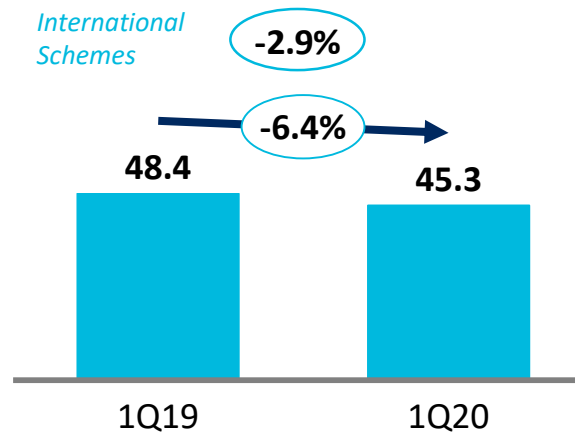
### Net Revenues (€M)



### Managed Transactions (#M)



### Value of Managed Transactions (€B)



### Key Highlights

- Managed transactions sustained by International Schemes growth (+5.4% y/y)
- Value of managed transactions sustained by International Schemes (-2.9% y/y)
- Continued progress on YAP, with ~825k enrolled clients to date. YAP under evaluation as digital payment tool for Red Cross volunteer teams
- Launched communication campaign on cardholders to help “less digital” consumers to buy online and use contactless



# Digital Banking Solutions: marginally impacted by Covid-19 lockdown in March

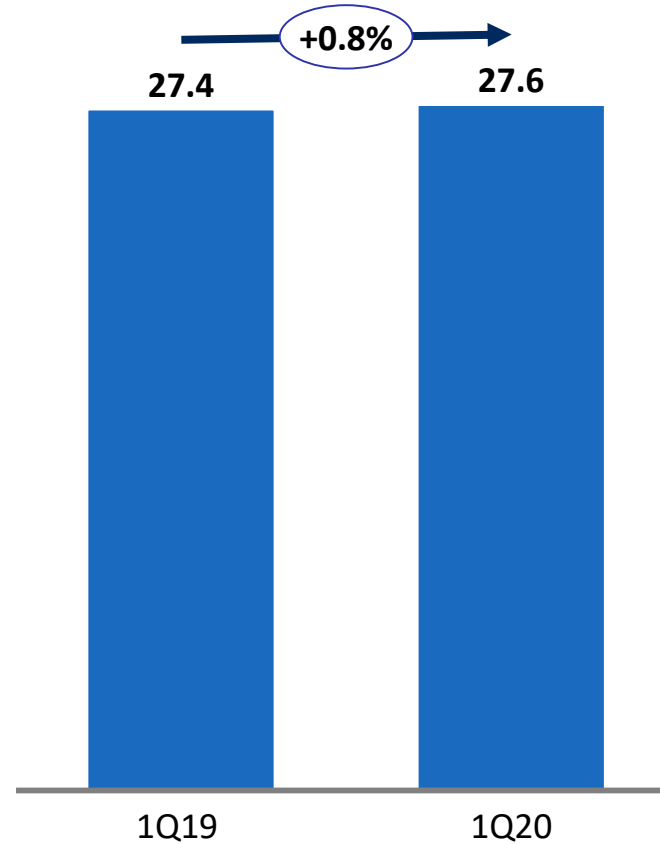


12%<sup>1</sup>

Digital Banking Solutions



## Net Revenues (€M)

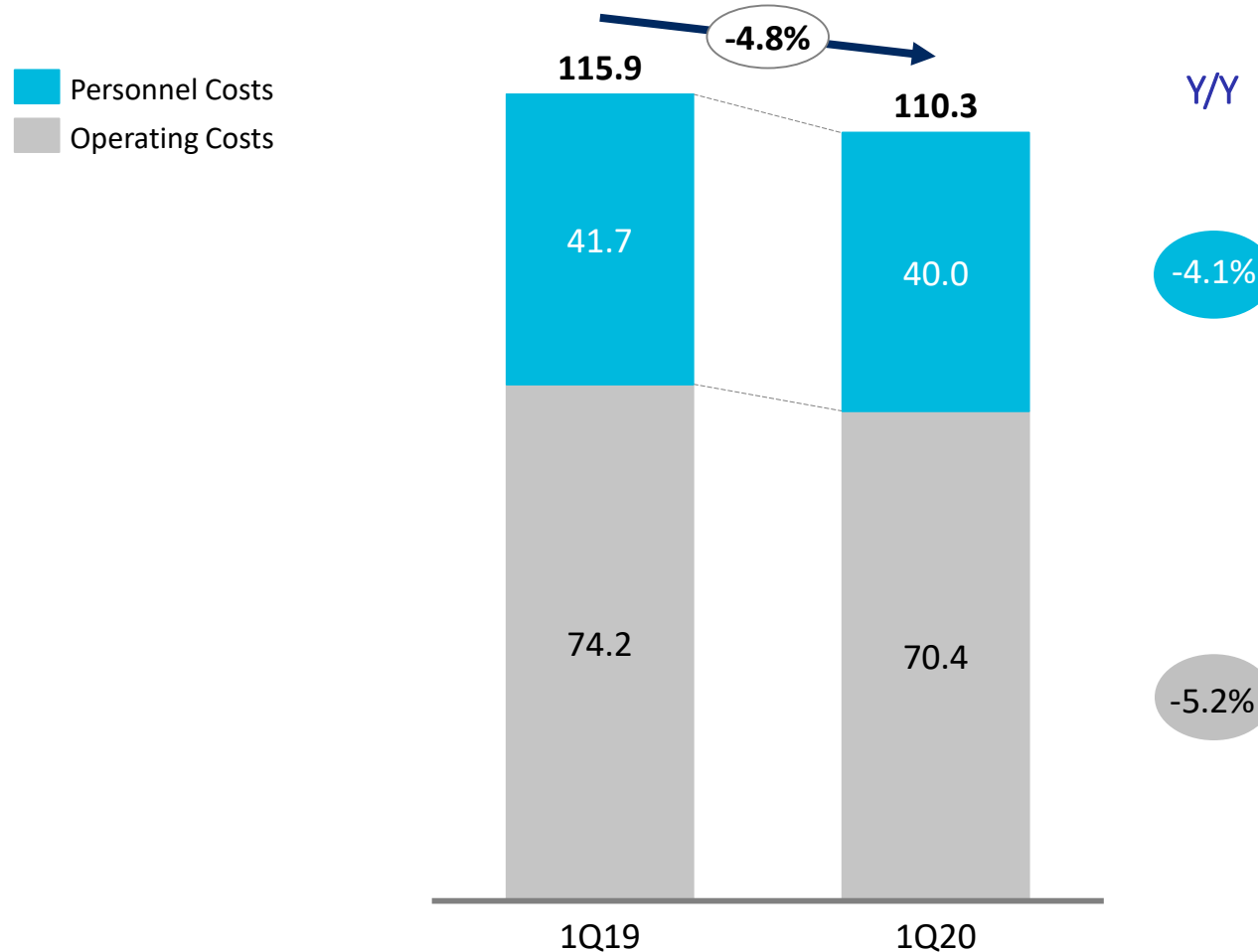


## Key Highlights

- Self-banking: Continued rollout of new higher value advanced self-banking products/solutions and continued growth of advanced ATMs installations
- Digital Corporate Banking: continued rollout of new advanced platform with key partner banks
- Instant Payments: continued progress on new banks/financial institutions onboarding and rollout. Development of new VAS
- Open Banking: launch of “Nexi Open”
  - new open banking ecosystem including Nexi and fintech partners services on top of Nexi open banking bank platform. Key partnership already in place
  - Partnership with Plug and Play, worldwide #1 Open Innovation platform, to launch the Italian fintech hub
  - Strategic partnership with Microsoft to create new products and services leveraging on AI and Big Data

# Costs: variable costs and discretionary measures to mitigate the financial impact of Covid-19

## Total Costs (€M)



## Key Highlights

Decrease in total costs mainly driven by:

- variable costs linked to volumes/activities (processing costs, external contact center, marketing events; savings related to meal vouchers, overtime and bonuses accrual)
- continued focus on efficiency

**Limited credit risk exposure** (2019 LLPs: 5.3 €M acquiring and 0.9 €M issuing)

▪ **Merchant Services & Solutions:**  
Diversified exposure across sectors and no direct exposure to riskier sectors (e.g. airlines)

▪ **Cards & Digital Payments:**  
Credit risk limited to direct issuing model (~48k cards, equal to ~0.1% of Group total cards) and corporate cards

**Task force in place since the beginning of the crisis to daily monitor the situation**

# Strong cash position. Net Financial Debt / EBITDA at 2.8x

## Net Financial Debt (€M)

	Dec 18	Mar 19	Dec 19	Mar 20
<b>Gross Financial Debt</b>	2,605	2,656	1,840	1,843
<b>Cash</b>	(41)	(361)	(248)	(307)
<b>Cash Equivalents <sup>1</sup></b>	(110)	(110)	(123)	(116)
<b>Net Financial Debt</b>	<b>2,454</b>	<b>2,185</b>	<b>1,470</b>	<b>1,420</b>

## Key Highlights

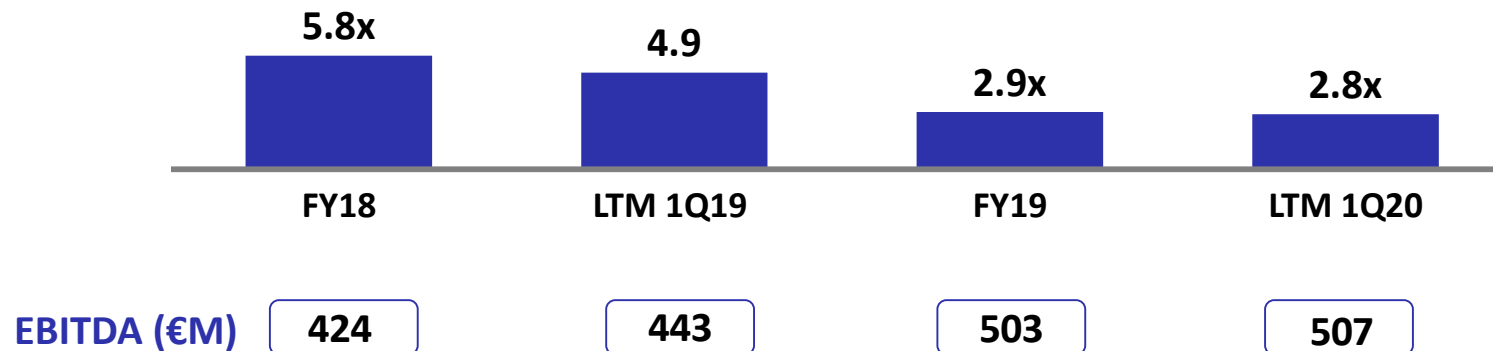
Current Debt structure:

- 1 €B Term Loan due 2024
- 825 €M Fixed-Rate Note due 2024
- Other residual debt (mainly IFRS 16)

Nexi also benefits of an undrawn 350 €M Revolving Credit Facility, committed to 2024, that further supports its liquidity profile

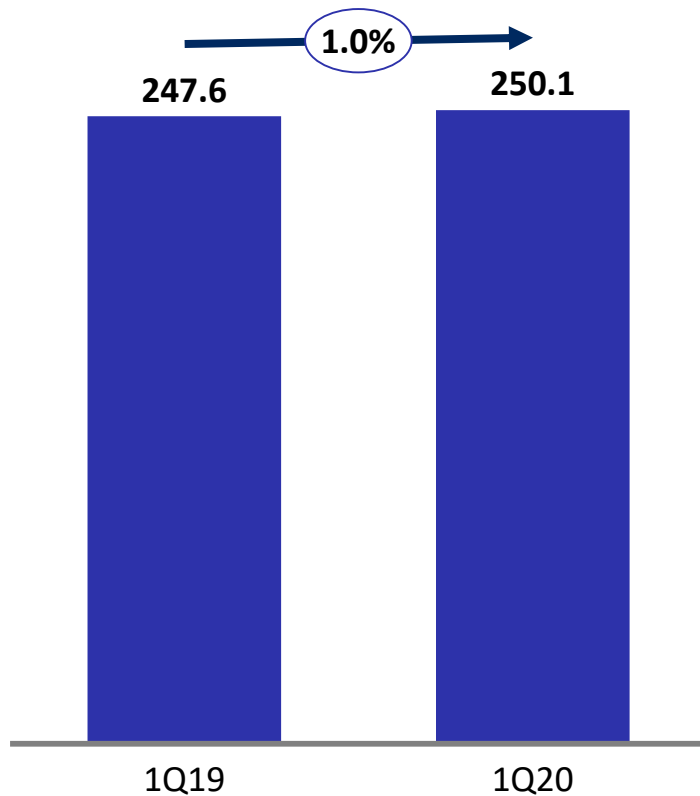
500 €M 1.75% senior unsecured equity-linked convertible bonds (due 2027) issued on Apr 24<sup>th</sup>. Initial conversion price at €19.47 (premium of 50% above the Reference Share Price)

## Net Financial Debt / EBITDA (€M)

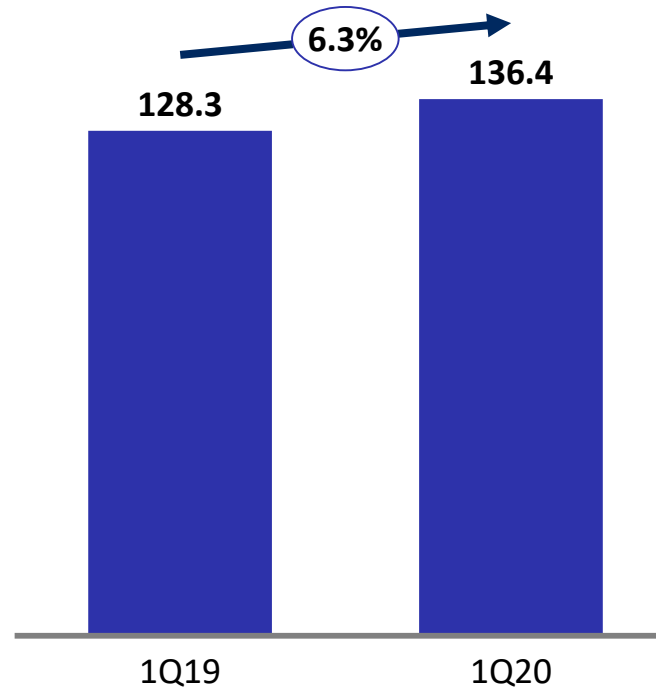


# Pro-forma for ISP's Merchant Acquiring acquisition Net Revenues and EBITDA both growing

## Net Revenues (€M)



## EBITDA (€M)



## Update on the transaction

- Process on track, closing date expected by summer 2020
- Cash flow generated by the acquiring book from Jan 1<sup>st</sup> 2020 to closing will be transferred to Nexi at the closing date
- Through the 500€M convertible bond issued in April 2020, Nexi already took out 50% of the envisaged funding related to the acquisition at better conditions than the existing bridge loan

# 2020 revenues evolution dependent on Covid-19 crisis recovery. 100+ €M cash cost containment plan in execution to mitigate EBITDA and cash flow impact

100+  
€M

## Revenues

## Cost containment plan

### Volume-base costs

### Discretionary spending

Volume-driven revenues (48% on total revenues<sup>1</sup>) depending on:

- Duration of the peak
- Speed of recovery
- Dynamics by sector

- Personnel expenses (variable compensation, other related costs)
- Processing: reduction in line with volume trends
- External contact center calls

#### Operating Expenses

- Hiring
- Consulting expenses
- Internal and external events, travels, etc..
- Voluntary waiver by Top management of their 2020 short term variable compensation

#### Capex

- Postponement of non strategic project spending (e.g. IT systems optimization)
- Limited re-phasing of IT strategy
- Postponement of real-estate investments

#### Transformation Costs

- Postponement of few activities:
- YAP development
  - Other transformation projects

**Confirmed continued focus and investments on key initiatives to drive future growth and efficiency**

# Financial guidance conservatively suspended

## Previous Guidance<sup>1</sup>: suspended

Net Revenues	5-7% annual net revenue growth over medium term, targeting higher end of the range
EBITDA	<ul style="list-style-type: none"><li>13-16% annual EBITDA growth over medium term</li><li>Continued strong operating leverage</li></ul>
Non-recurring Items	Rapid further decrease of non-recurring items affecting reported EBITDA
Capex	<ul style="list-style-type: none"><li>8-10% ordinary capex as % of net revenues over long term</li><li>Transformation capex on top of ordinary capex of 142 €M cumulative (2020 – c.2023)</li></ul>
Capital Structure & Capital Allocation	<ul style="list-style-type: none"><li>Organic de-leveraging with target net debt of ~2.0-2.5x EBITDA over medium to long term</li><li>Progressive moderate dividend policy, targeting pay-out ratio of 20-30% of distributable profits in medium to long term</li></ul>

## Key considerations

- **2020 volume-driven revenues depending on the duration of the peak, speed of recovery and dynamics by sector.**  
Continued assessment of Covid-19 impact through different scenarios
- **100+ €M cash cost (Opex/Capex) containment plan** being implemented to mitigate the impact on EBITDA and cash flow
- **Confirmed continued focus and investments on key initiatives** to drive future growth and efficiency
- **Strong cash position**

**Annex**



# P&L

€M	1Q19	1Q20	Δ% vs. 1Q19
Merchant Services & Solutions	106.1	105.1	-0.9%
Cards & Digital Payments	93.0	92.6	-0.4%
Digital Banking Solutions	27.4	27.6	+0.8%
<b>Operating revenue</b>	<b>226.5</b>	<b>225.3</b>	<b>-0.5%</b>
Personnel & related expenses	(41.7)	(40.0)	-4.1%
Operating Costs	(74.2)	(70.4)	-5.2%
<b>Total Costs</b>	<b>(115.9)</b>	<b>(110.3)</b>	<b>-4.8%</b>
<b>EBITDA</b>	<b>110.6</b>	<b>115.0</b>	<b>+3.9%</b>



# Nexi in a nutshell



# Italy: Large and underpenetrated market with unique structural characteristics



**#3 Largest economy  
in Europe<sup>(1,3)</sup>**

**€841bn**  
2018  
Consumer  
spend<sup>(1)</sup>

**3.7m**  
Largest SME  
population in  
Europe<sup>(2)</sup>

**One of the most underpenetrated  
card payments markets in Europe**

**24%**  
Italy vs 45% Western Europe  
card payment penetration<sup>(1)</sup>

**Strong and resilient  
secular growth**

**+ ~9%**  
Card payments transaction value  
15-18 CAGR<sup>(4)</sup>

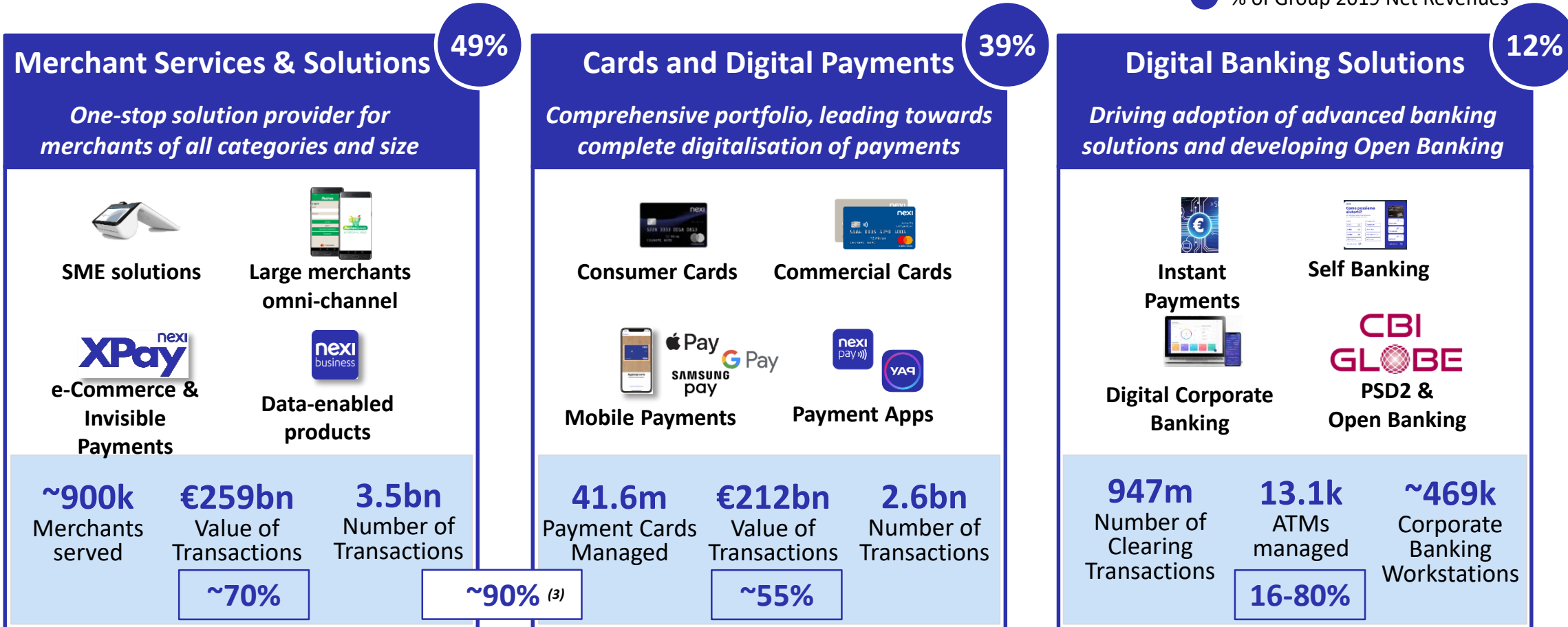
**Unique structural  
characteristics**

- SME-dominated and mainly physical commerce market
- Underdeveloped and fast growing e-commerce market
- Fragmented and bank led distribution
- Country digitalization core for national agenda

Note: Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl Commercial) divided by Total Consumer Spending. Consumer Card Payments is defined as Card Payment Transactions (Excl Commercial).

# Nexi: The leading PayTech with full coverage of the payment ecosystem

● % of Group 2019 Net Revenues



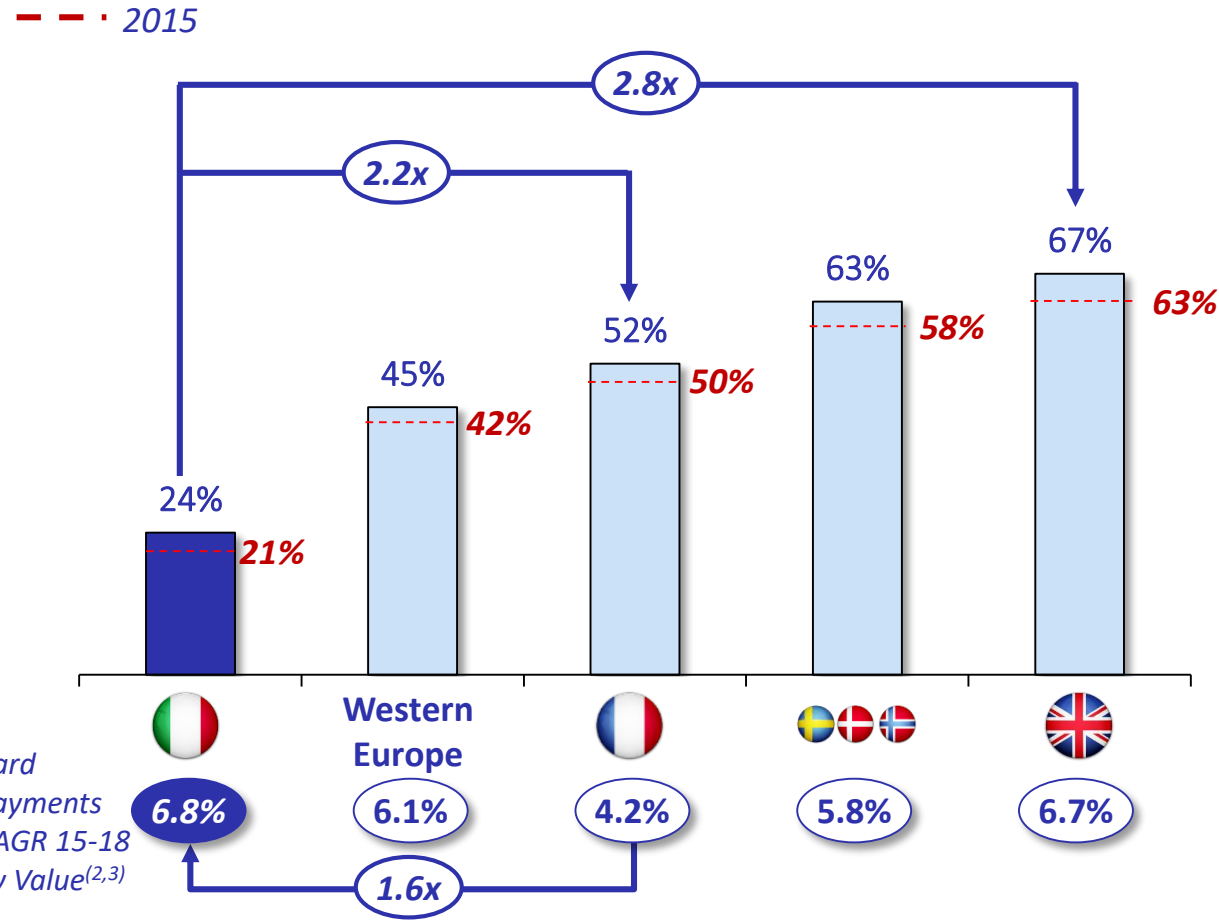
# Nexi: The leading PayTech redefining payments in Italy



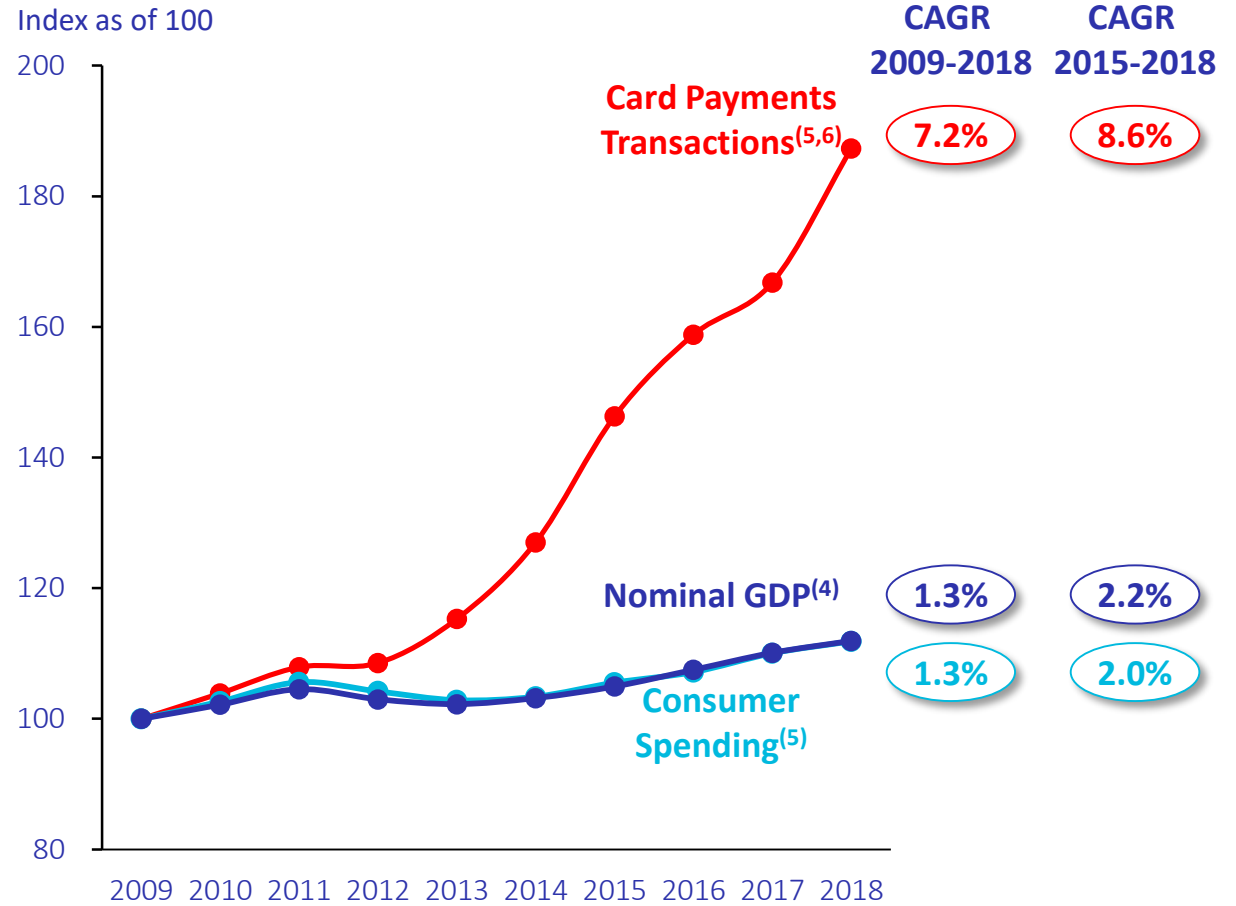
- 1 Europe's most attractive payments market with strong secular growth drivers
- 2 Established market leader at scale with extensive payments ecosystem coverage
- 3 Long term, extensive and value-oriented partnerships with Italian banks
- 4 Superior products driving multiple growth opportunities
- 5 Leading technology capabilities driving innovation and Next Generation Platform deployment
- 6 Attractive financial profile combining profitable growth, resilience, operating leverage and strong cash flow generation
- 7 Strong leadership team with proven track record across all value creation levers

# 1 Large and attractive market with secular growth tailwinds

## 2018 Card Payments Penetration (% by Value)<sup>(1)</sup>



## Growth of Italian Card Payments Values Outperforming Italian Nominal GDP and Consumer Spending



Note: Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl. Commercial) divided by Total Consumer Spending.

# Extensive payments ecosystem coverage extending to digital and technology solutions

## 2 solutions

### Covering Traditional Card Payments Rails...



Merchant Acceptance



Merchant Processing



Co-issuing (no credit risk)



Card Issuer Processing



POS terminal lifecycle management



Antifraud, disputes and chargebacks

...

### ...Relevant Adjacent Digital Services...



Advanced POS Solutions



SME Software



E-Commerce & Invisible Payments



Mobile Payments



Payment Apps



Data-Enabled Products



Engagement Platforms

...

### ...and Extended Payment Solutions



Instant Payments



Self Banking



Digital Corporate Banking



B2B & e-invoicing



Omni Acceptance

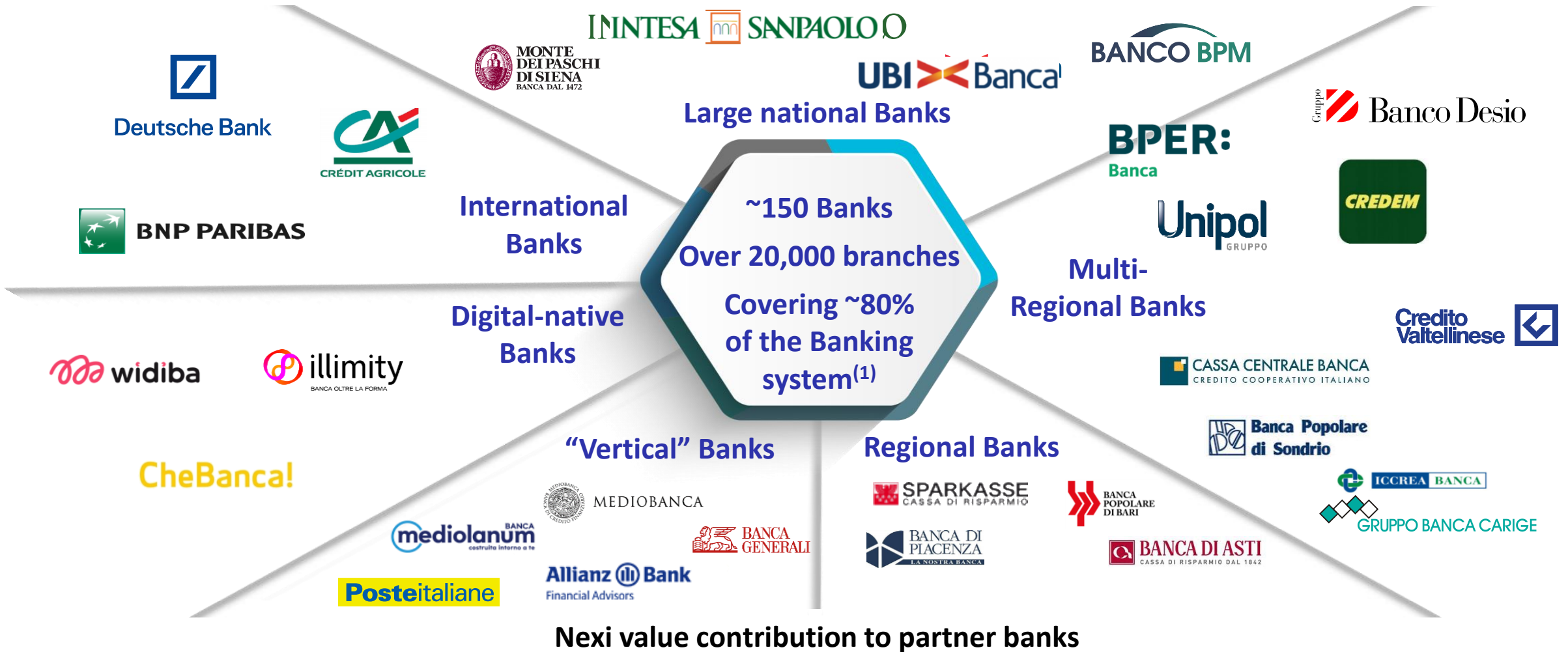


PSD2 Gateway & Open Banking

...

# Long-term, extensive and value-oriented partnerships with 150 banks across

**3** all segments



- Mission Critical Services
- Quality of Service and Reliability
- Extensive Portfolio of Superior Products
- Broad Range of Service Models
- Payments Advanced Knowledge Transfer
- Scale Benefits / Advantages
- Support to Commercial Activity

# 4 A rich portfolio of growth drivers and emerging opportunities

## Merchant Services & Solutions



SmartPOS



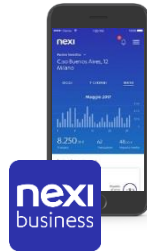
Large Merchant Omnichannel



E-Commerce & Invisible Payments



Omniaacceptance



Merchant App

## Cards & Digital Payments

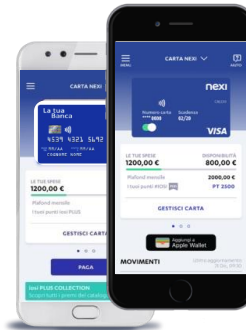


Credit Full Potential

Corporate Cards Solutions



Debit evolution



Mobile Payments



Next Generation CVM

## Digital Banking Solutions



Instant Payments Solutions



Self Banking



...and for Small/Micro Business



Digital Corporate Banking for Large-Mid



PSD2 Gateway & Open Banking

### Growth Drivers

### Emerging Growth Opportunities



YAP Millennials Mobile Payments



Data Enabled Solutions



B2B/Corporate Payments



Dual-sided Opportunities



# Investing in leading capabilities in Technology to drive quality and security, innovation and Next Generation Platform deployment

5

December 2019

## People and Capabilities



- ✓ IT Team & Tech capabilities in place
- ✓ 6 Digital Factories, 3 specialized structures, 4 CoE in place
- ✓ Basilichi and Sparkling integration
- ✓ ...

- 330+ FTEs (end 2018)
- ~ 70% new IT managers
- ~ 110 new hiring

Ordinary continuous improvement

## Quality and Security



- ✓ Live service process 24x7x365
- ✓ Hot line with main Banks
- ✓ Robotic check and prevention
- ✓ Security framework and capabilities continuous evolution
- ✓ ...

- 72% y-o-y improvement in Service Stability Index
- 99.99% core service availability in 2018
- No data and GDPR breaches

Ordinary continuous improvement

## Innovation and Delivery



- ✓ SmartPOS, E-Com, Merchant App
- ✓ Mobile Payments and wallet, Installment, New Debit Card Platform, next-gen CVM
- ✓ Instant Payments, new DCB, Open Banking, new Self Banking / ATM FE
- ✓ YAP, Cardholder and Commercial Portal, Merchant On line store, Data Analytics, ...

- 5.500 new IT releases in 2019 vs. 4,200 in 2018
- 6 digital factories

Ordinary continuous improvement

- Omni-channel payment gateway
- Digital Corp. Banking completion
- Open banking gateway completion
- Complementary channels completion

WIP

## Next Generation Platform



- ✓ External Data Center insourcing and migration
- ✓ POS and ATM management platform
- ✓ Merchant Services sales tools and Issuing Onboarding ready
- ✓ Big Data Infrastructure

- Clear integrated architectural vision
- Step by step modular execution on going

- Network and Data Center consolidation (Basilichi and MePS)
- Data & Analytics evolution
- CRM and Ops transformation
- Processing Hubs consolidation

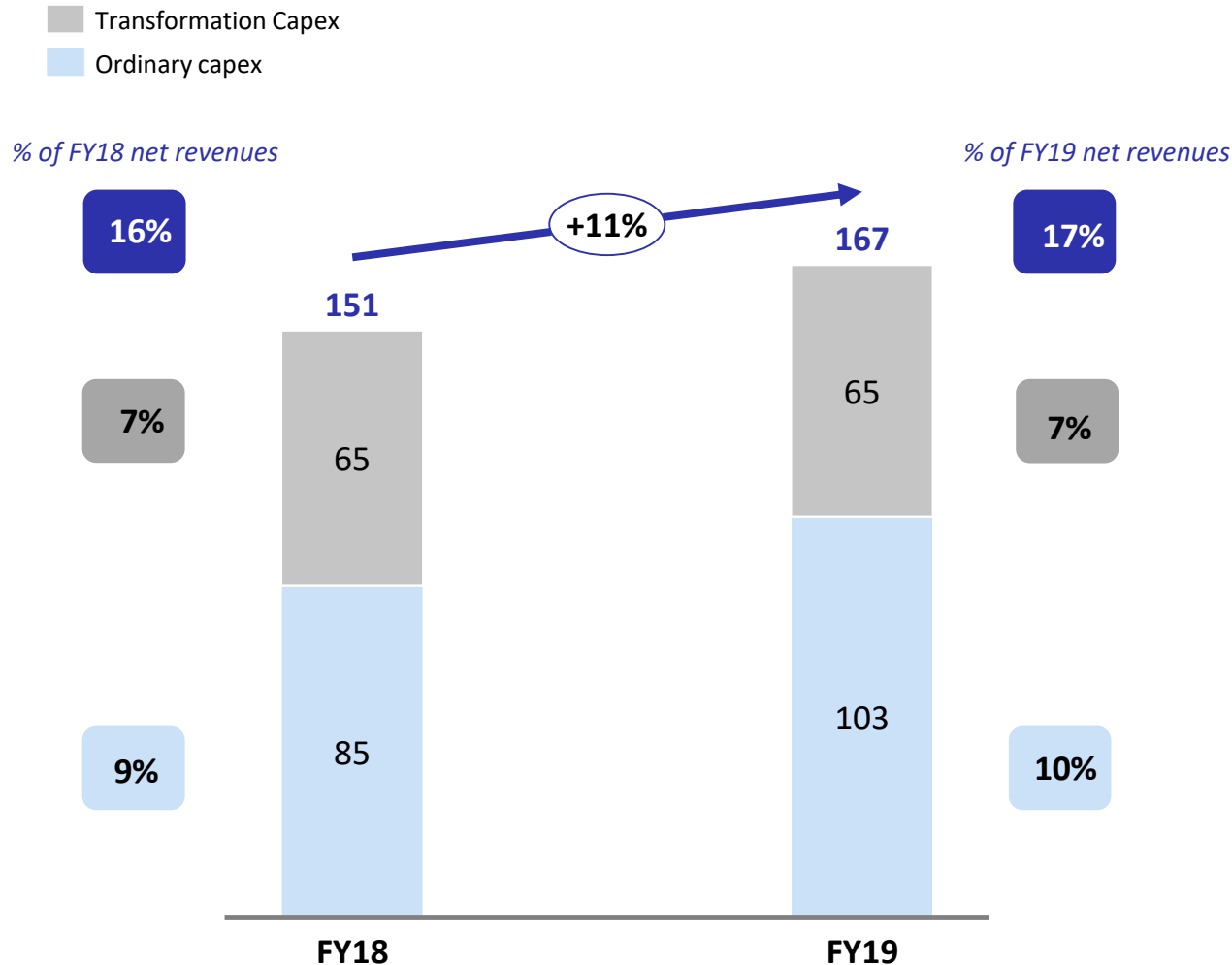
2016 - 2019

Ordinary Effort    Extraordinary Transformation Effort

# 5 Continued investments to support quality, innovation and IT transformation

## Ongoing investments (FY 2019): key examples

### Capital Expenditure (€M)



### Transformation Capex

65

#### Extraordinary Innovation:

- ✓ Open Banking Gateway (CBI Globe)
- ✓ New ATM Front End
- ✓ Next generation omni-channel payment gateway

#### Next Generation Platform:

- ✓ Next Generation Datacenter & network infrastructure
- ✓ New GT POS Platform
- ✓ New Debit Card Platform
- ✓ New CRM and channel management platforms – starting phase
- ✓ Acquiring Core Platform – starting phase
- ✓ ...

### Ordinary Capex

103

#### Continuous Innovation and Delivery:

- ✓ Mobile Wallets evolution
- ✓ New commercial corporate cards
- ✓ SmartPOS eco-system evolution
- ✓ Banks migrations/integrations
- ✓ New product roll-out on Banks
- ✓ PSD2 compliance & AML
- ✓ ....

#### Running and Maintenance/ Quality/ Security:

- ✓ Advanced service monitoring solutions
- ✓ Cyber security continuous improvement
- ✓ Hardware upgrade/refresh
- ✓ Facility investments and other assets

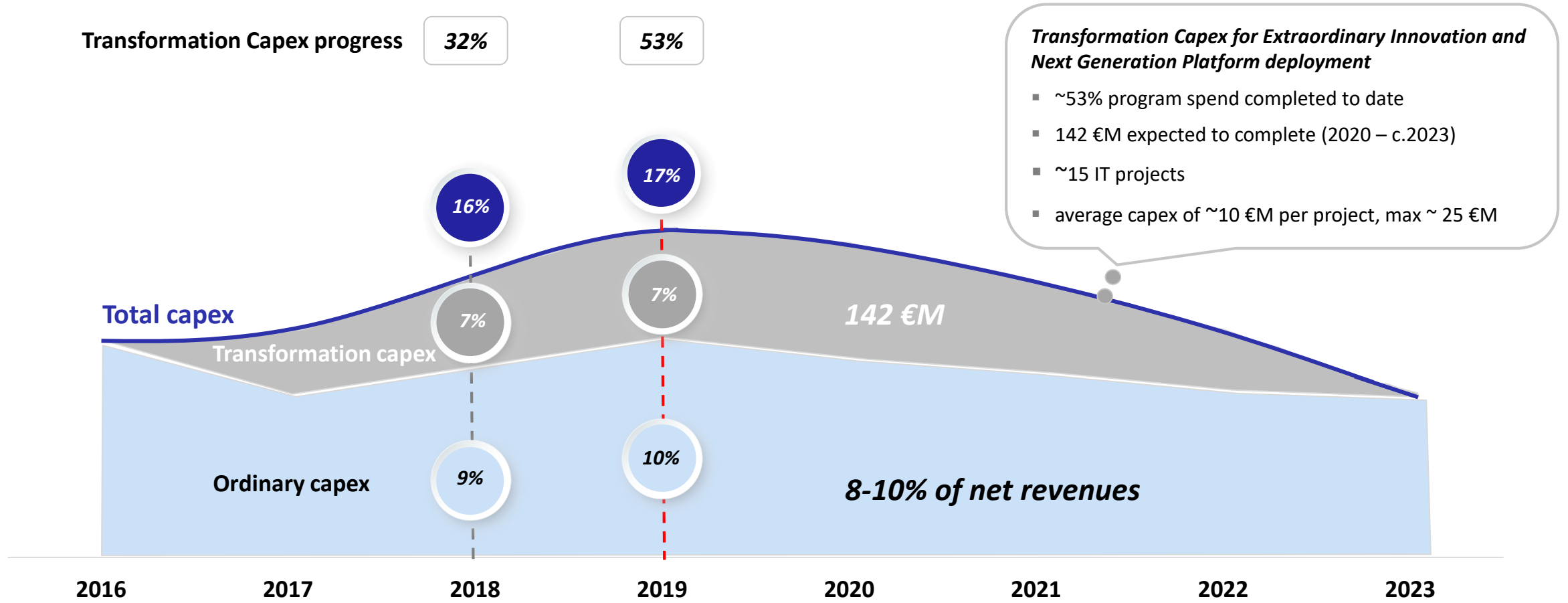
#### POS and ATM purchase (4% net revenues FY19 vs 2% FY18):

- ✓ Smart POS acceleration
- ✓ POS service level improvement
- ✓ Advanced ATM acceleration

# IT strategy progressing in line with plan. 142 €M expected to complete by 2023 (included in guidance)

5

## Capital Expenditure (€M)



% Capex in % of net revenues

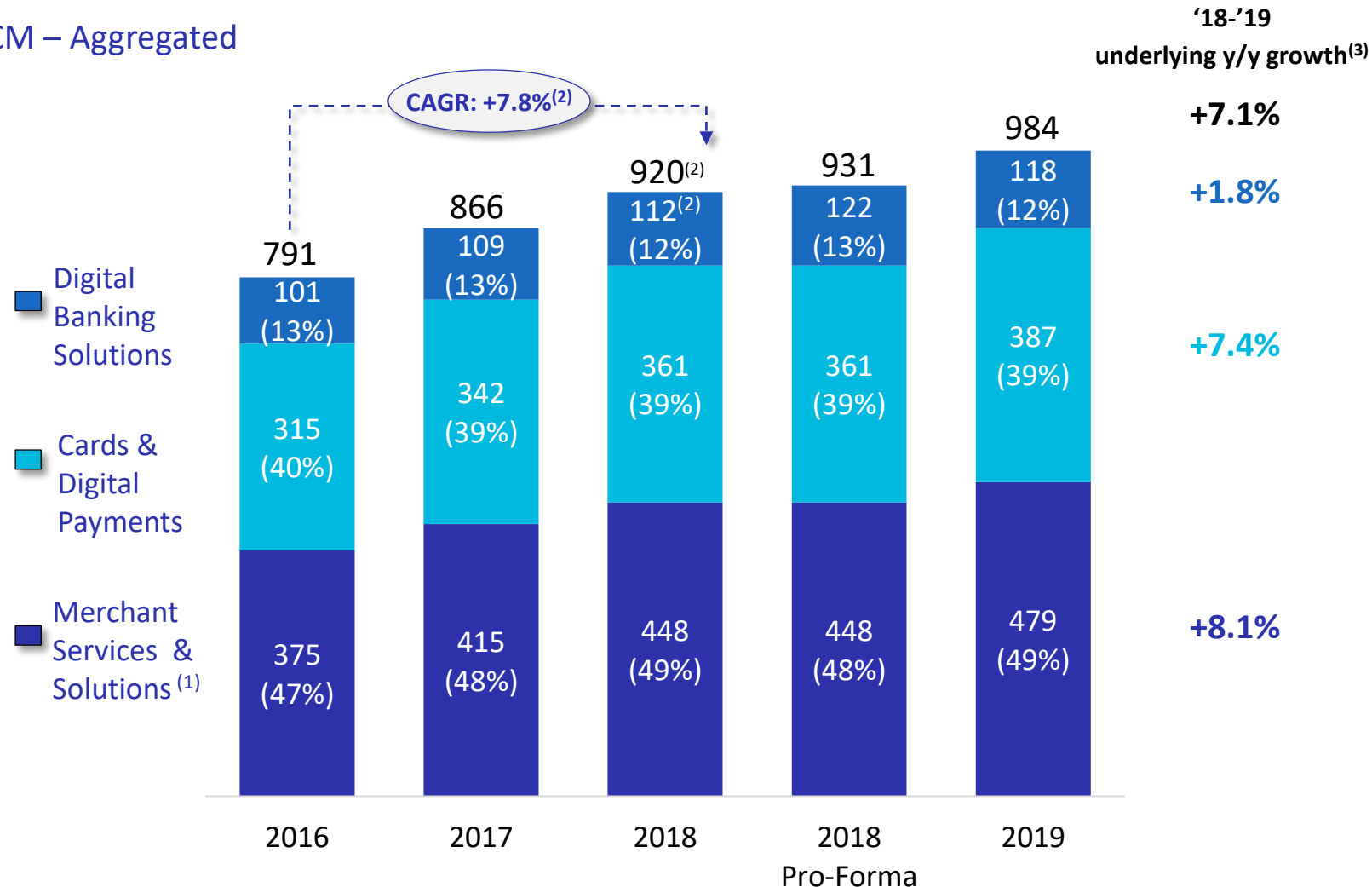
# Attractive financial profile combining profitable growth, resilience, operating **6** leverage and strong cash flow generation

<b>Unmatched Scale in Italy</b>	<b>984 €M</b>	2019 reported Net Revenues
	<b>503 €M</b>	2019 EBITDA
<b>Consistent Profitable Organic Growth</b>	<b>+7.1%</b>	Net Revenues underlying '18-'19 growth <sup>(1)</sup>
	<b>+18.5%</b>	EBITDA '18-'19 growth
<b>Resilient and Diversified Recurring Revenues</b>	<b>7.2x</b>	Cards Spend vs. Consumer Spend CAGR '09-'18 in Italy
	<b>48% / 52%</b>	Revenue Split (Volume-Driven / Installed Base)
<b>Proven Operating Leverage</b>	<b>62%</b>	Fixed Costs as % of Opex in 2019
	<b>51%</b>	2019 EBITDA Margin
<b>Strong Cash Flow Generation</b>	<b>389 €M</b>	2019 Normalized Operating Cash Flow <sup>(2)</sup>
	<b>77%</b>	2019 Cash Flow Conversion <sup>(3)</sup>

## 6 Consistent and solid revenue growth

### Net revenues evolution over time

€M – Aggregated



Healthy growth in core markets

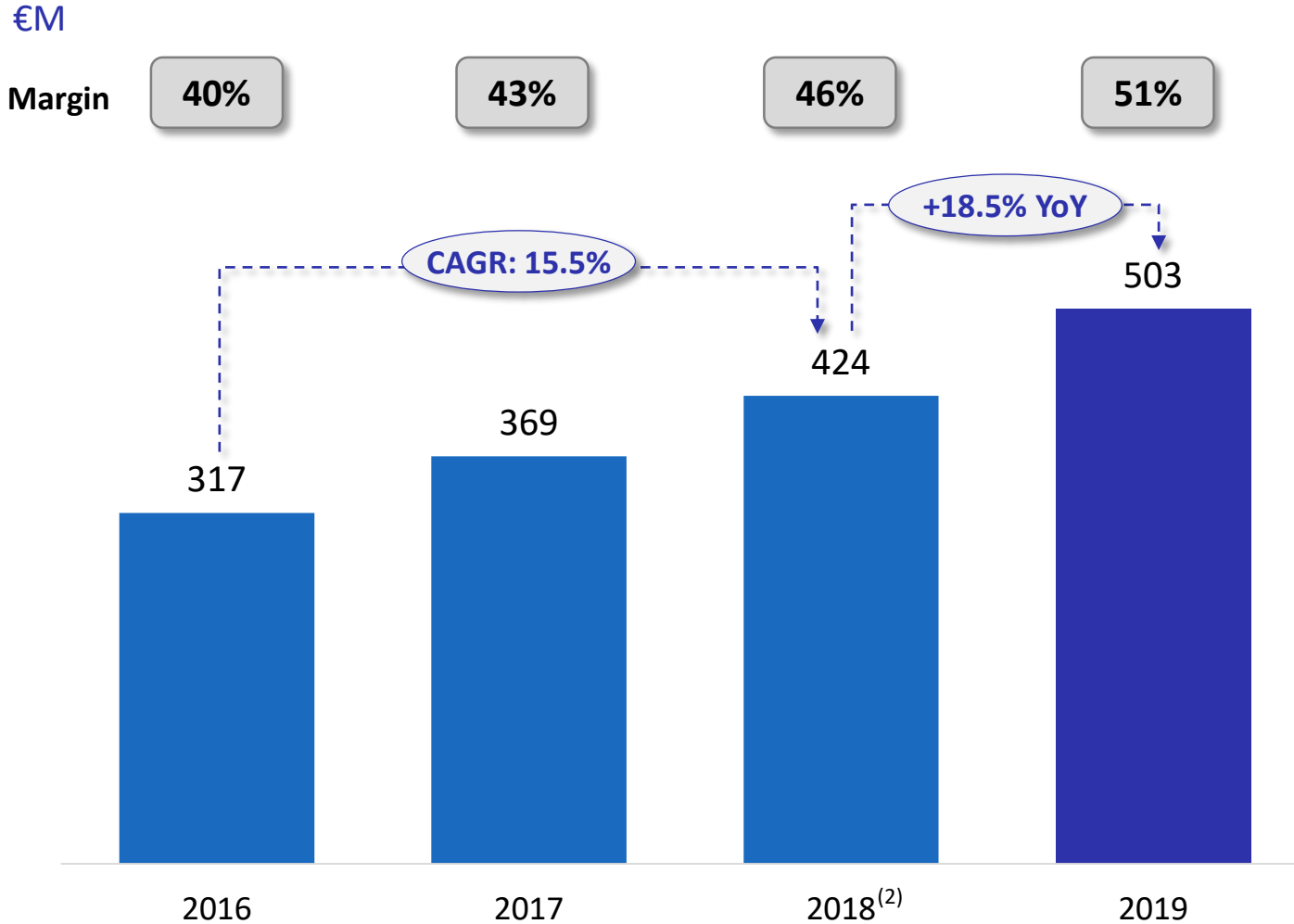
Combination of organic growth and delivery of Initiatives

High quality, predictable and recurring revenue model

High resilience driven by product portfolio and large customer base

## 6 Consistent and strong EBITDA growth

### EBITDA evolution<sup>(1)</sup>



Strong EBITDA growth

Significant degree of operating leverage  
(62% fixed operating costs<sup>(3)</sup>)

Efficiency and cost reduction

Substantially enhanced profitability

Tangible EBITDA uplift from Announced  
Initiatives and realization of synergies

# 7 Strong and experienced extended Leadership Team...



**Paolo Bertoluzzo**  
Group CEO



~2000 FTEs; ~1000 new vs. 2016

350 new talent hired coming from >100 corporates

83% new in Top 100



**Enrico Trovati**  
Merchant Services & Solutions



**Andrea Mencarini**  
Cards & Digital Payments



**Renato Martini**  
Digital Banking Solutions



**Roberto Catanzaro**  
Business Development



**Giuseppe Dallona**  
CIO



**Bernardo Mingrone**  
Group CFO



**Marco Ferrero**  
Commercial Division



**Stefania Gentile**  
Mercury Payments



**Federico Ferlenghi**  
Operations & Help Line



**Silvia Beraldo**  
CAO



**Saverio Tridico**  
Corporate & External Affairs



**Daniela Bragante**  
Compliance & AML



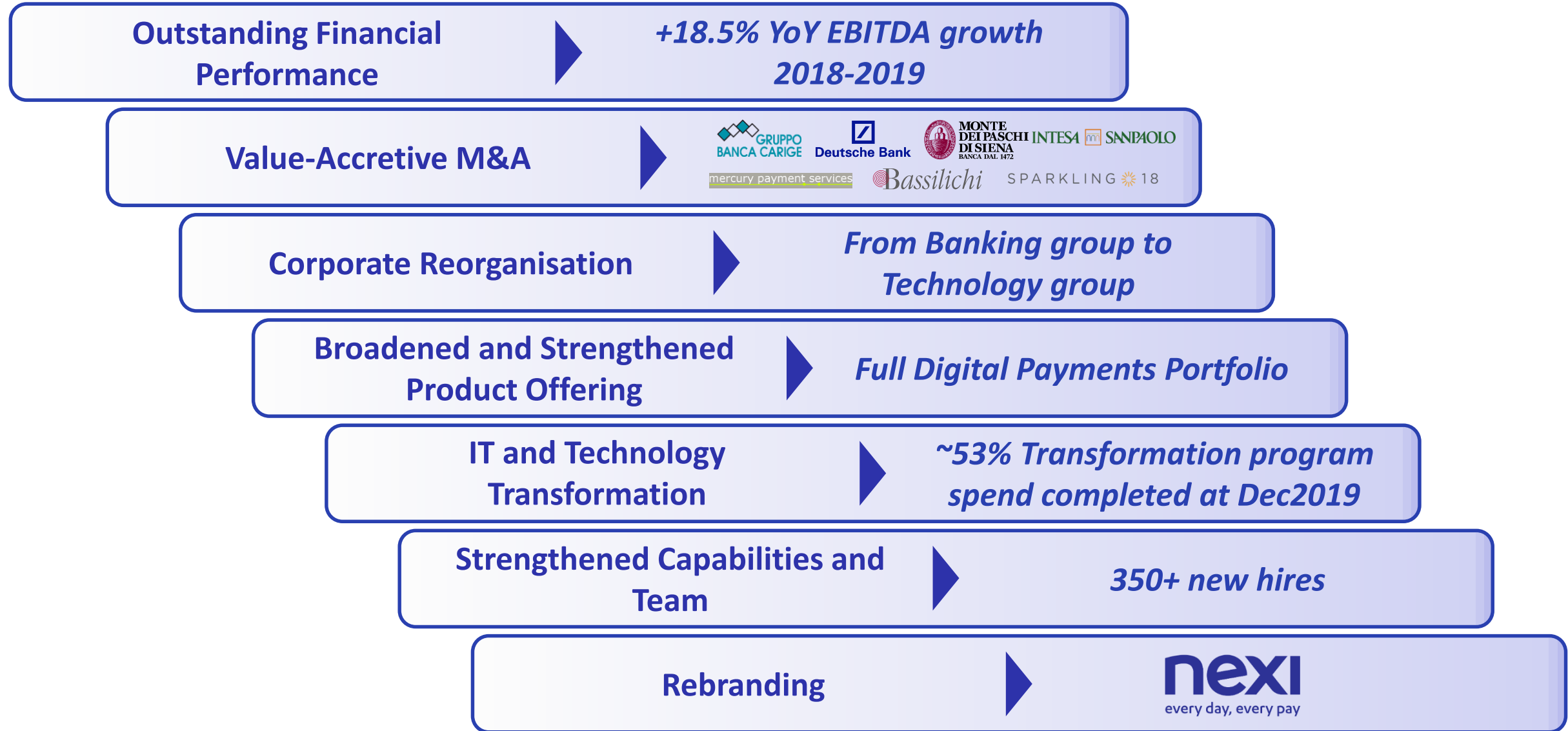
**Emanuele Boati**  
Audit



**Alessia Carnevale**  
Risk

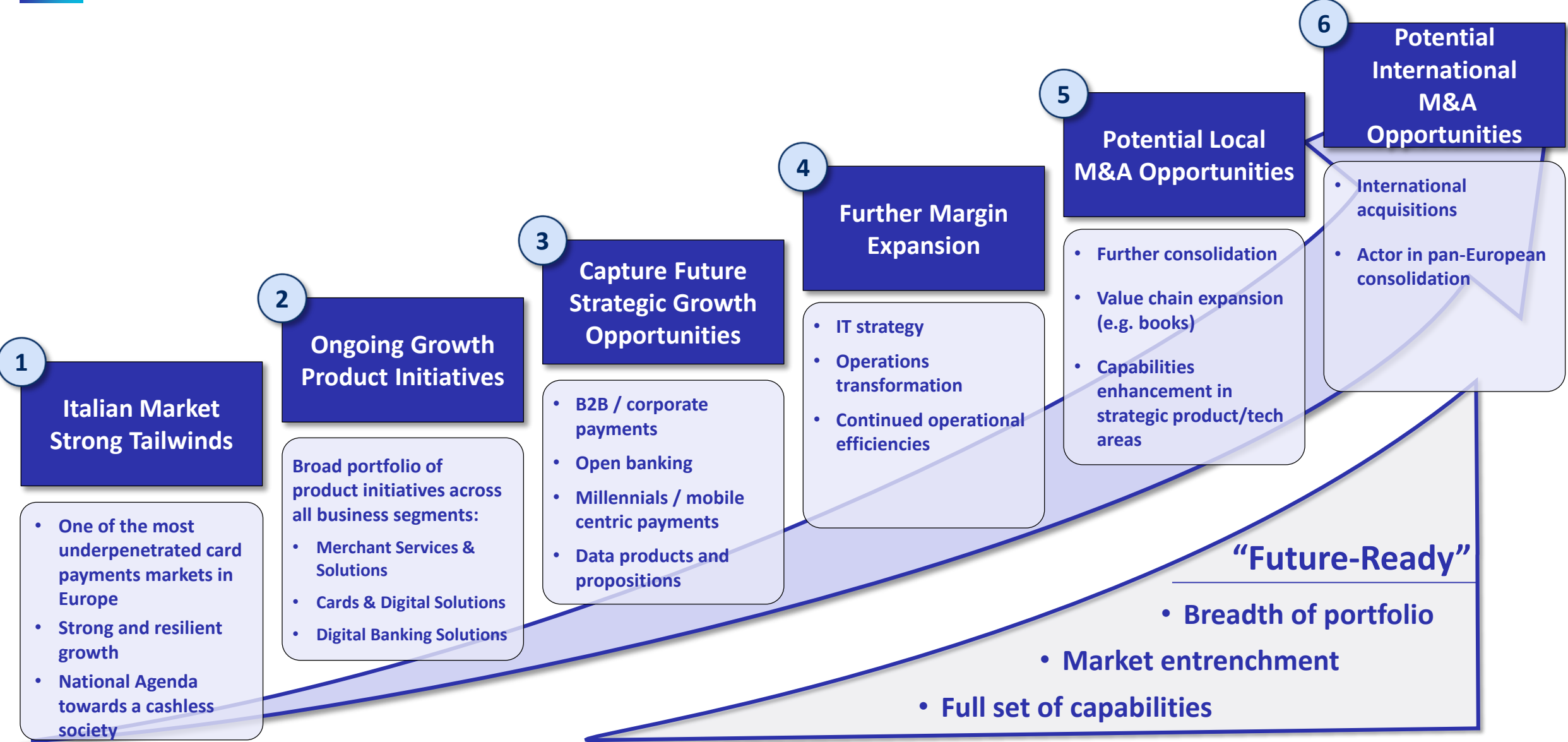


# 7 ...with proven track record of delivery across all value creation levers





# Nexi: Best poised to capture multiple avenues for future value growth



# Supporting Materials

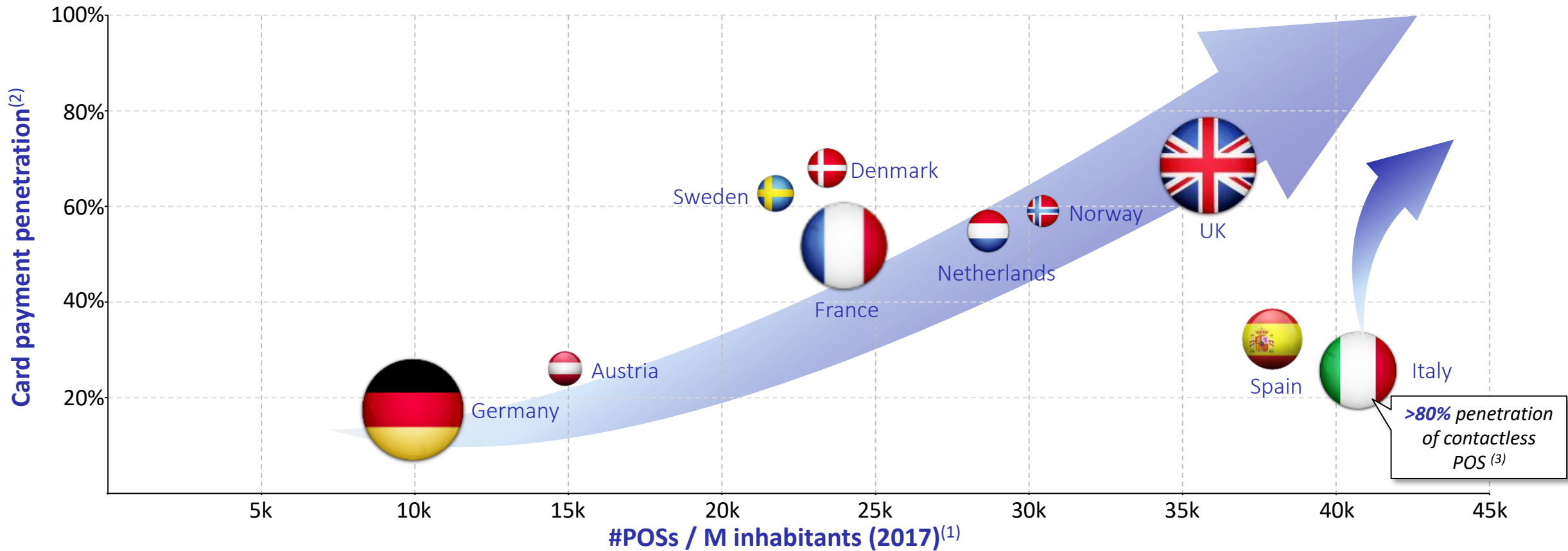
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# Italy - Acceptance infrastructure already in place, enabling market growth

Italy's Infrastructure is ready for further card payment penetration <sup>(1,2)</sup>

○ Size of flag bubble represents relative total consumer spend<sup>(2)</sup>

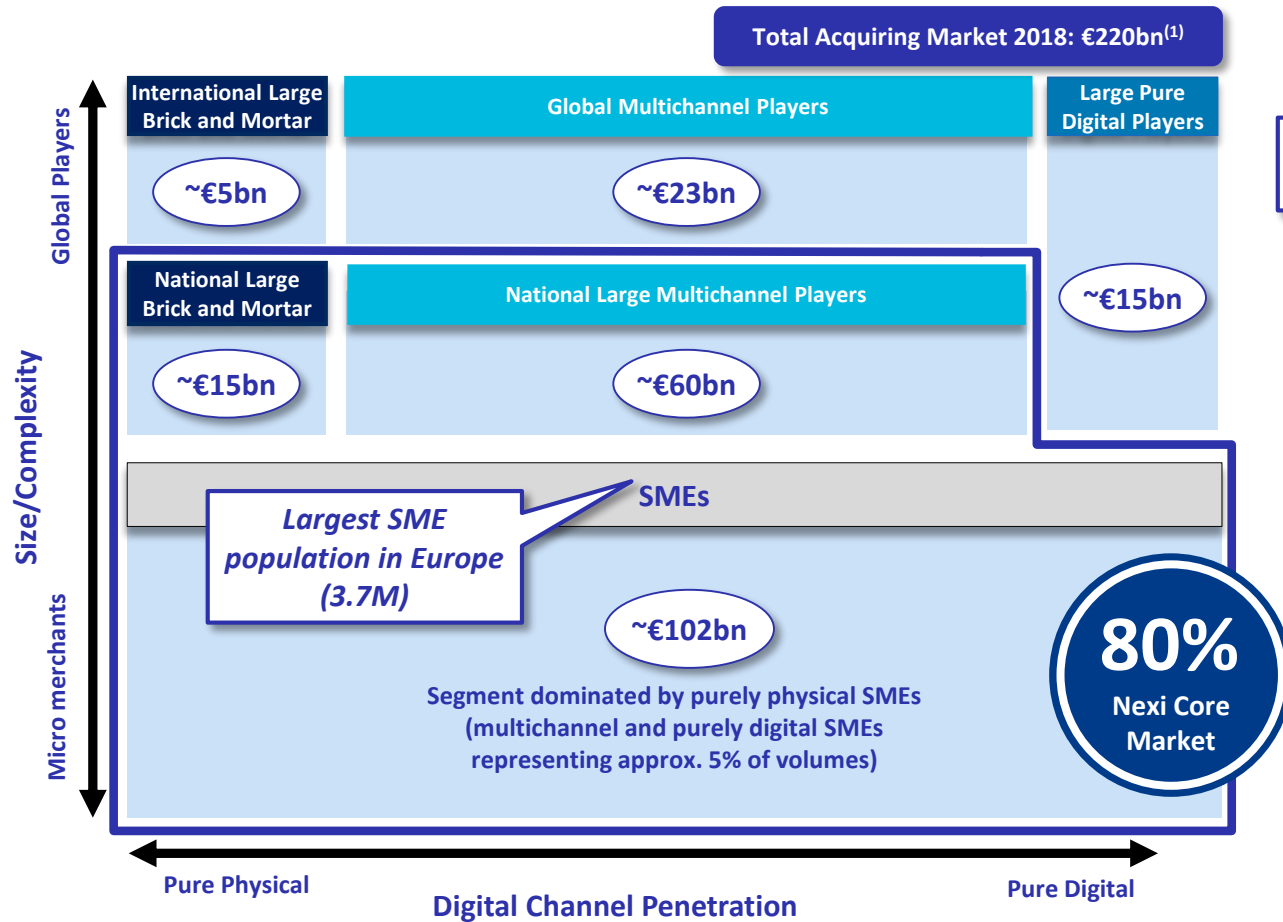


>80% penetration of contactless POS <sup>(3)</sup>

Note: Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl Commercial) divided by Total Consumer Spending.

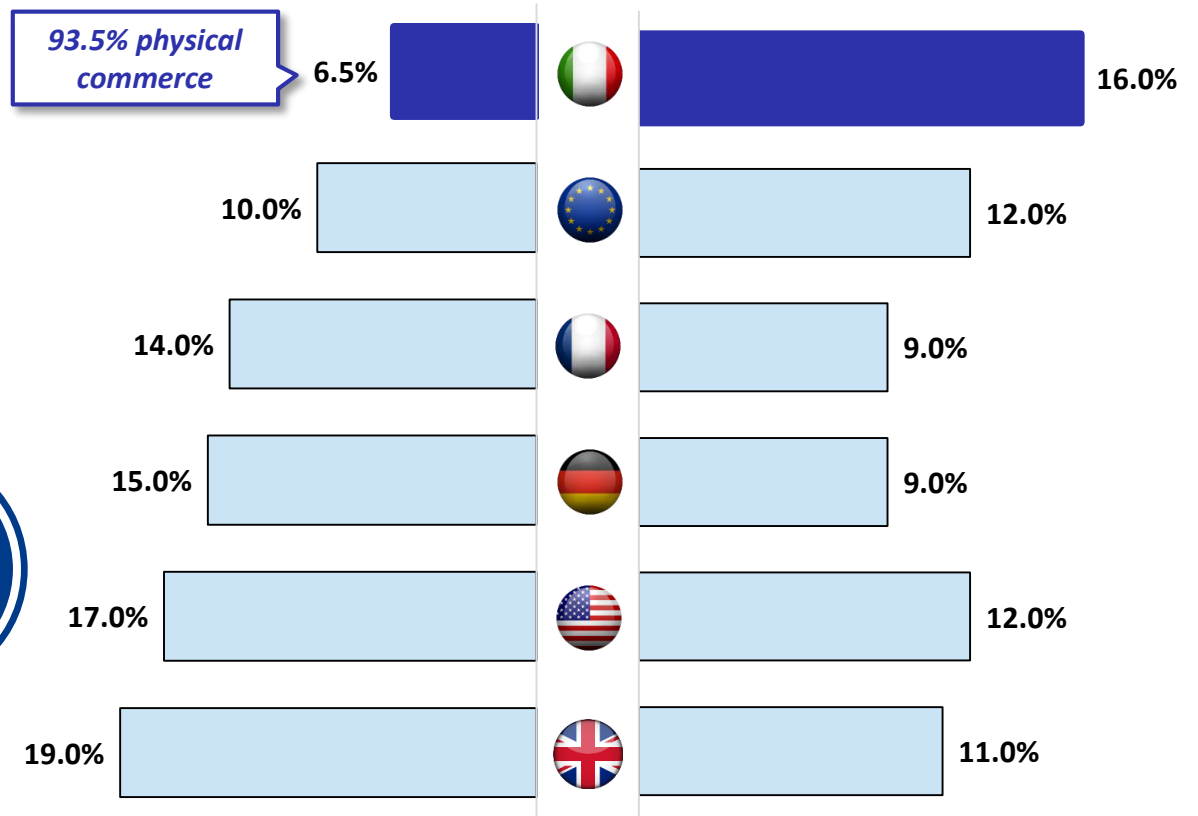
# SME and physical dominated market. E-commerce still at inception

## SME and physical dominated market



## Italy has the lowest E-commerce penetration...<sup>(2,3)</sup>

2018 online share of total retail consumption



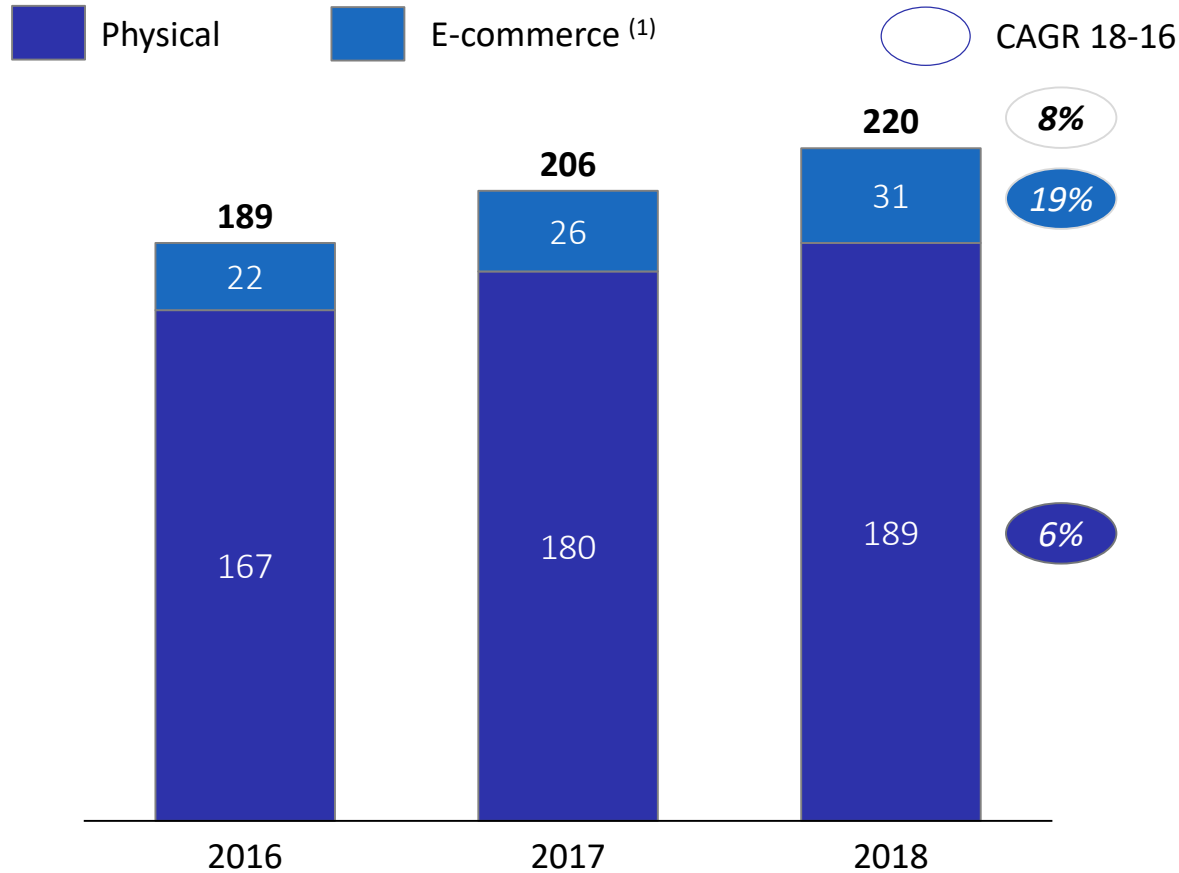
## ...and the highest recent growth rates<sup>(2)</sup>

2017-18 growth in value of online transactions (2017-18)

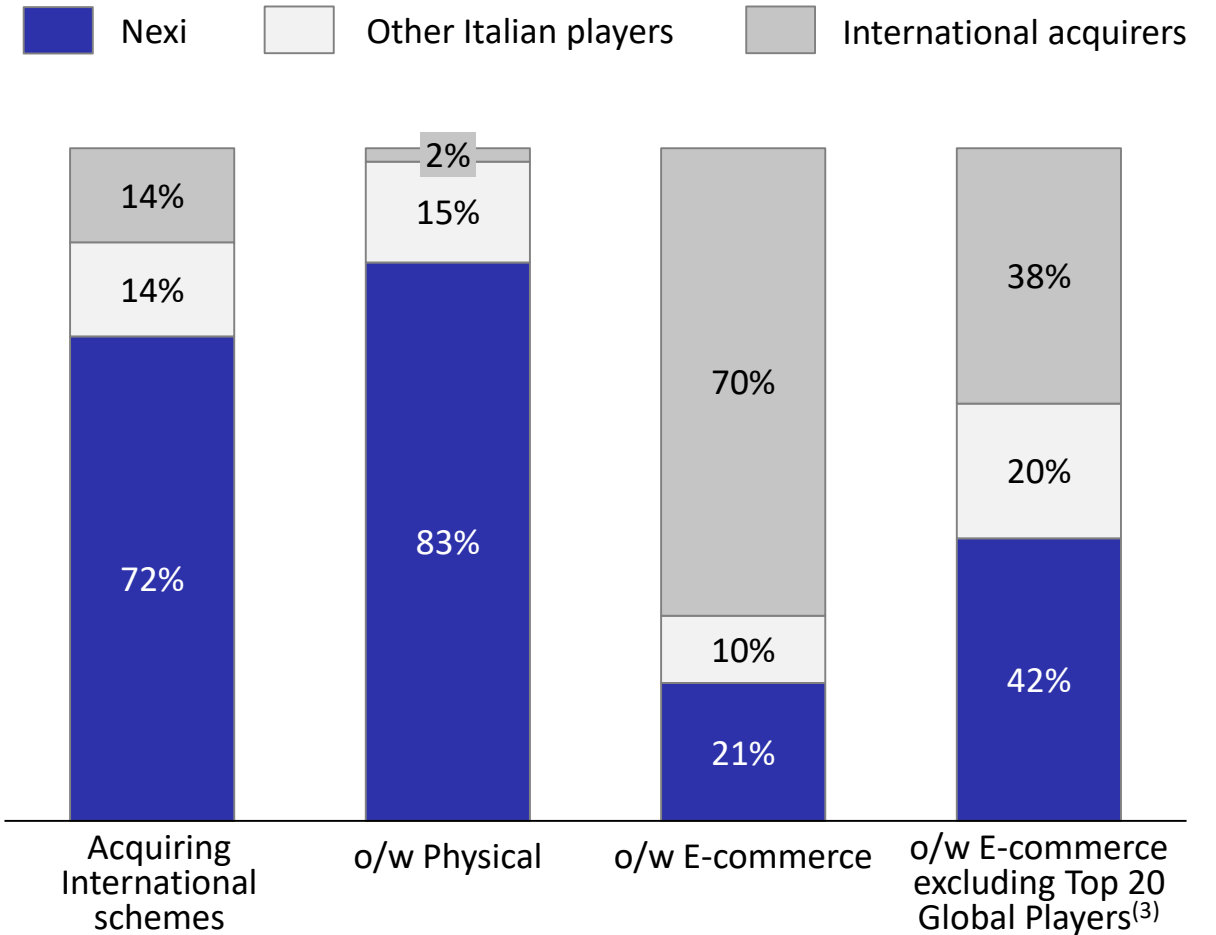
# Reference Market and Nexi's Share of Served Market

## Merchant Services & Solutions

Italian consumer card payments market (transactions, €B)



Nexi's share of served market<sup>(2)</sup> (2018)

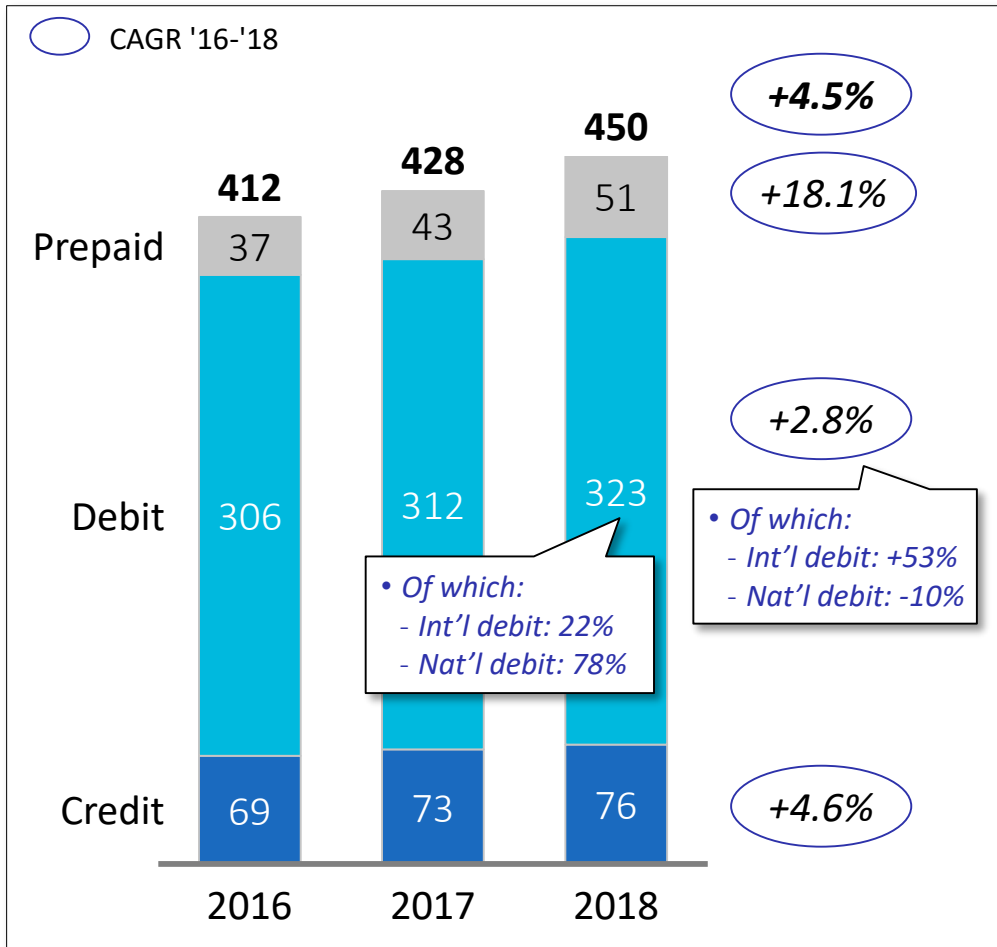


**Leading share of served market in Italian acquiring**

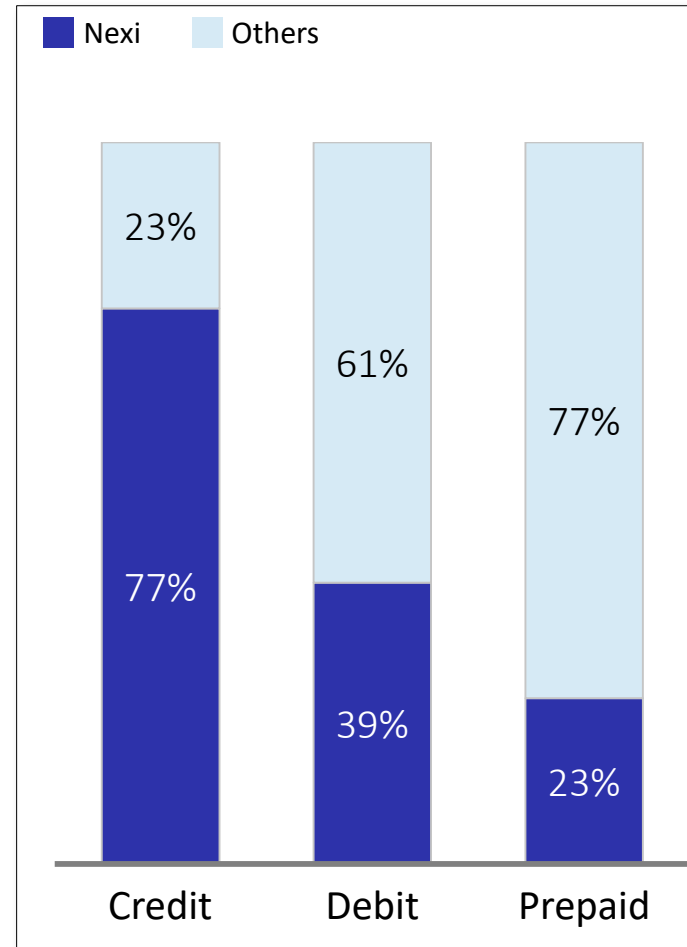
Note: Euromonitor International Consumer Finance – 2019 Edition; Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Consumer Card Payments is defined as Card Payment Transactions (Excl Commercial).

# Reference Market and Nexi's Share of Served Market Cards & Digital Payments

## Italian Issuing Market Transactions at POS and ATM (€B)



## 2018 Nexi's Shares of Served Market (by Value of Transactions)<sup>(1)</sup>



## Main Differences Compared to Other EU Countries



**Credit:** mainly charge cards with low credit limit



**Debit:** legacy and shrinking share of National debit; International debit only recently introduced and accelerating



**Prepaid:** high number of cards with low level of activation; mainly used for e-commerce

Leading served market share across segments in a growing issuing landscape, still dominated by National debit products

# Established market leader at scale covering all value chain activities, in the same country

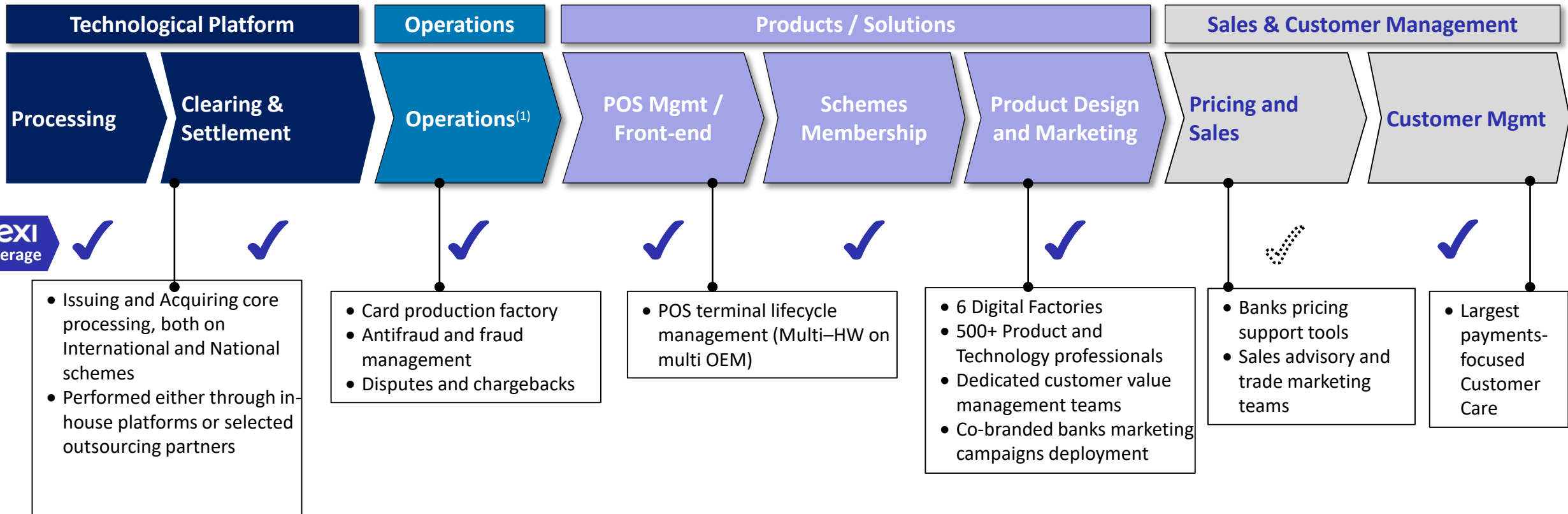
**Cards & Digital Payments**



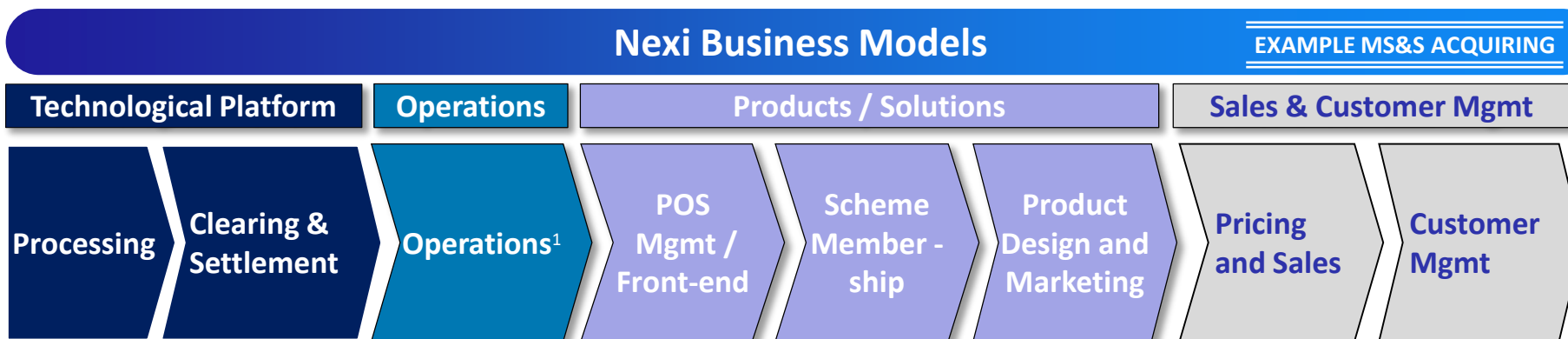
**Merchant Services & Solutions**



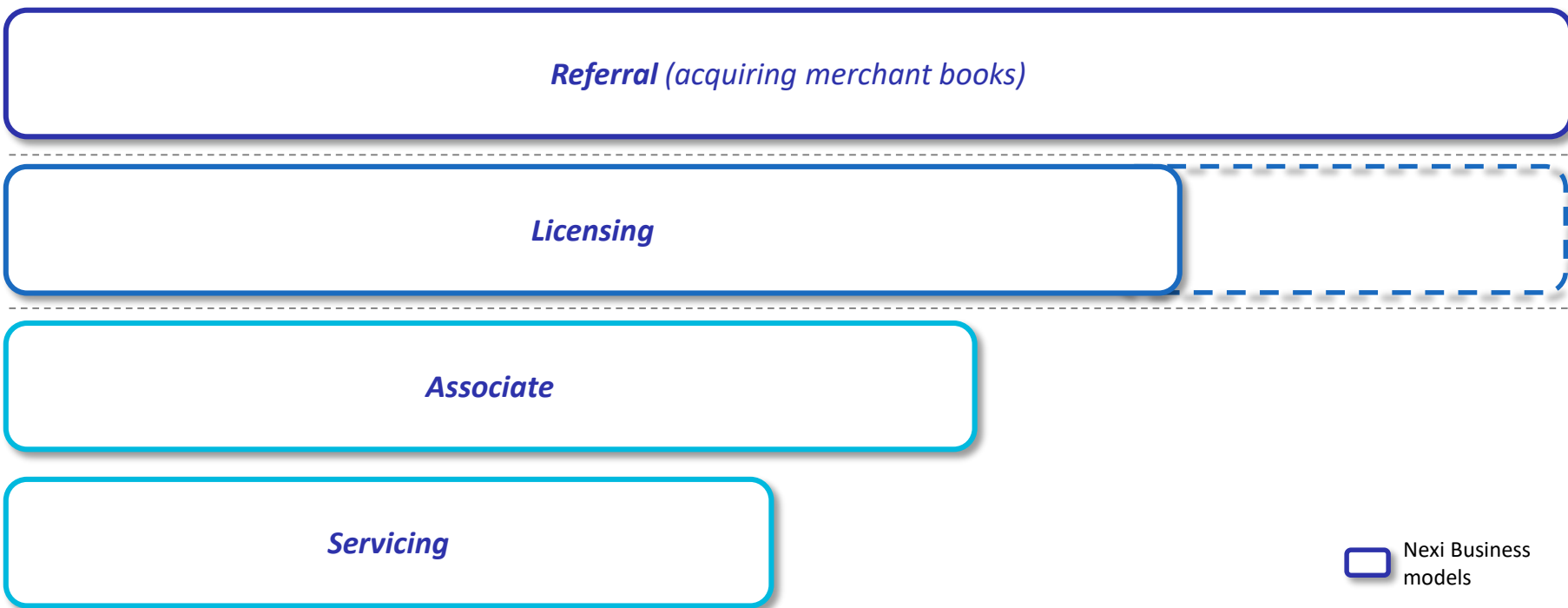
**Digital Banking Solutions**



# Serving Banks with multiple business models to fit their strategic needs



## Key Characteristics



- End to End value creation also supporting customer facing activities
- End to End products / services including VAS and CVM
- Full exploitation of innovation roadmap

- Specialization on outsourced activities and execution (technology, operations, schemes)
- Innovation adoption driven by partners' commitment



# Established, deep, robust and value-oriented bank relationships

## Long, established and deep...



- Most bank partnerships have been in place for more than 25 years
- Top 10 partner banks<sup>(1)</sup> have been customers for > 15 years
- No customer loss since 2015 change of ownership<sup>(2)</sup>
- Customer concentration reflects Italian Banking sector

## ...value-oriented partnerships...



- Multiple product/ service relationships with each bank
- “Volume based” pricing allowing further future upside
- Evolving towards more value-added models

## ...underpinned by established agreements



- Multiple contracts per relationship: ~150 relationships for a total ~1,000 contracts
- 56% of revenues in contracts/distribution agreements to 2023+<sup>(1)</sup>
- 72% of top 5 partner banks’ revenues committed to 2023+ (57% to 2025+)<sup>(1)</sup>
- Most of the remaining contracts with undated duration<sup>(3)</sup>

# Nexi investing to drive the transition from cash to digital payments in Italy

## Key Limiting Factors For Digital Payments penetration

### Acceptance Infrastructure



- Infrastructure well in place and contactless-ready but...
- Still uneven distribution of POS terminals amongst merchants
- Low speed due to poor connectivity

### Cards infrastructure



- Unbalanced mix, high share of prepaid and relatively low credit
- Credit mainly charge, with low plafond limit; revolving marginal
- Debit still dominated by national scheme with limitations

### Perception



- Consumer perception on spending control
- Merchant perception on reliability, control and price complexity

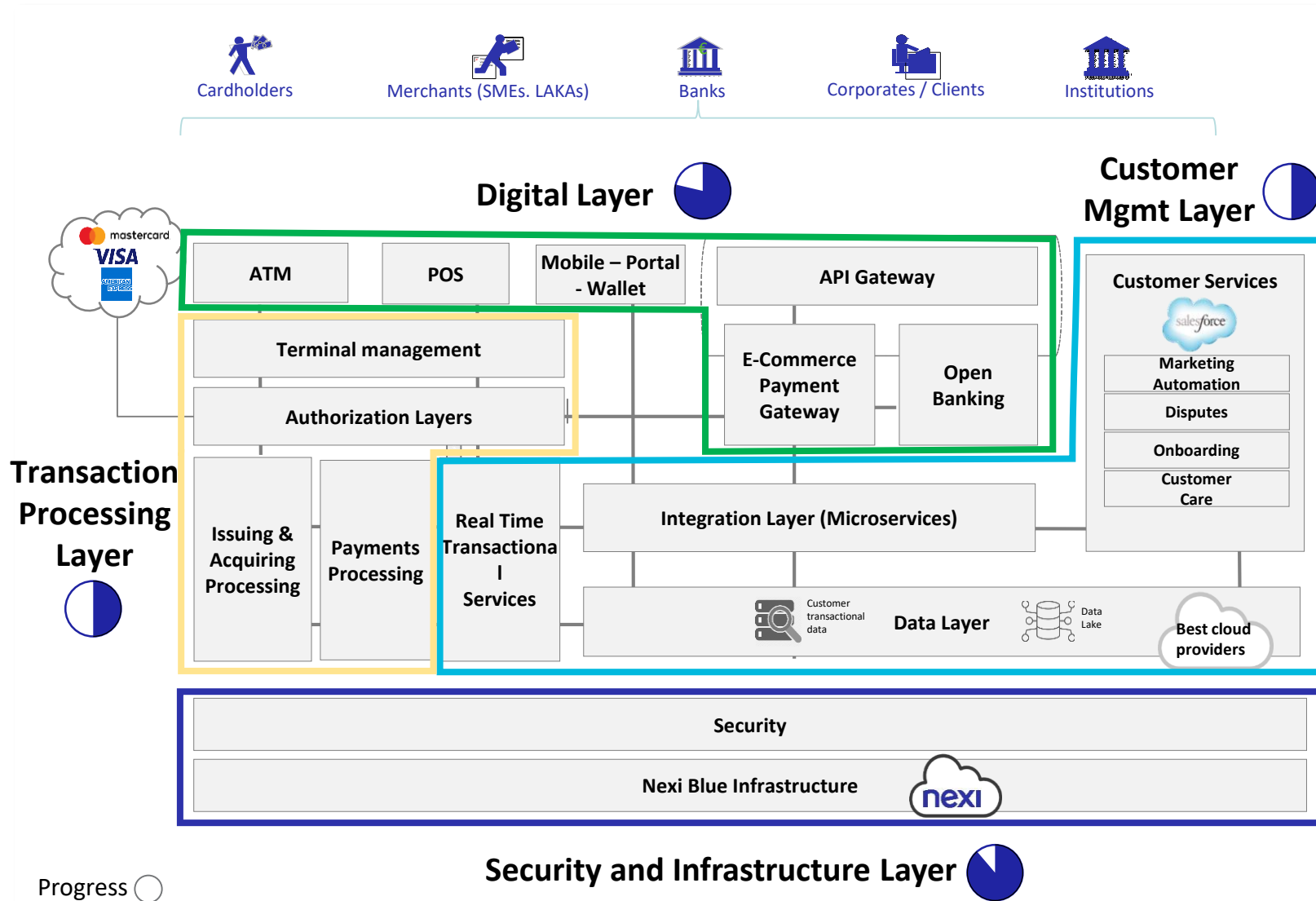
nexi

- “Start” simple bundled offer to address unposed merchants
- m-POS, Smart POS mini 4G
- POS replacement/reconfiguration to broadband connectivity
- Accelerated transition to Contactless

- Revamped and extended credit portfolio
- CVM, installment/EasyShopping, smart allowance mgmt., ...
- International Debit, Next generation National scheme

- Nexi Pay, Spending control, #iocontrollo, 3DS, Biometrics
- Nexi Business, simplified packages, micro-payments offer

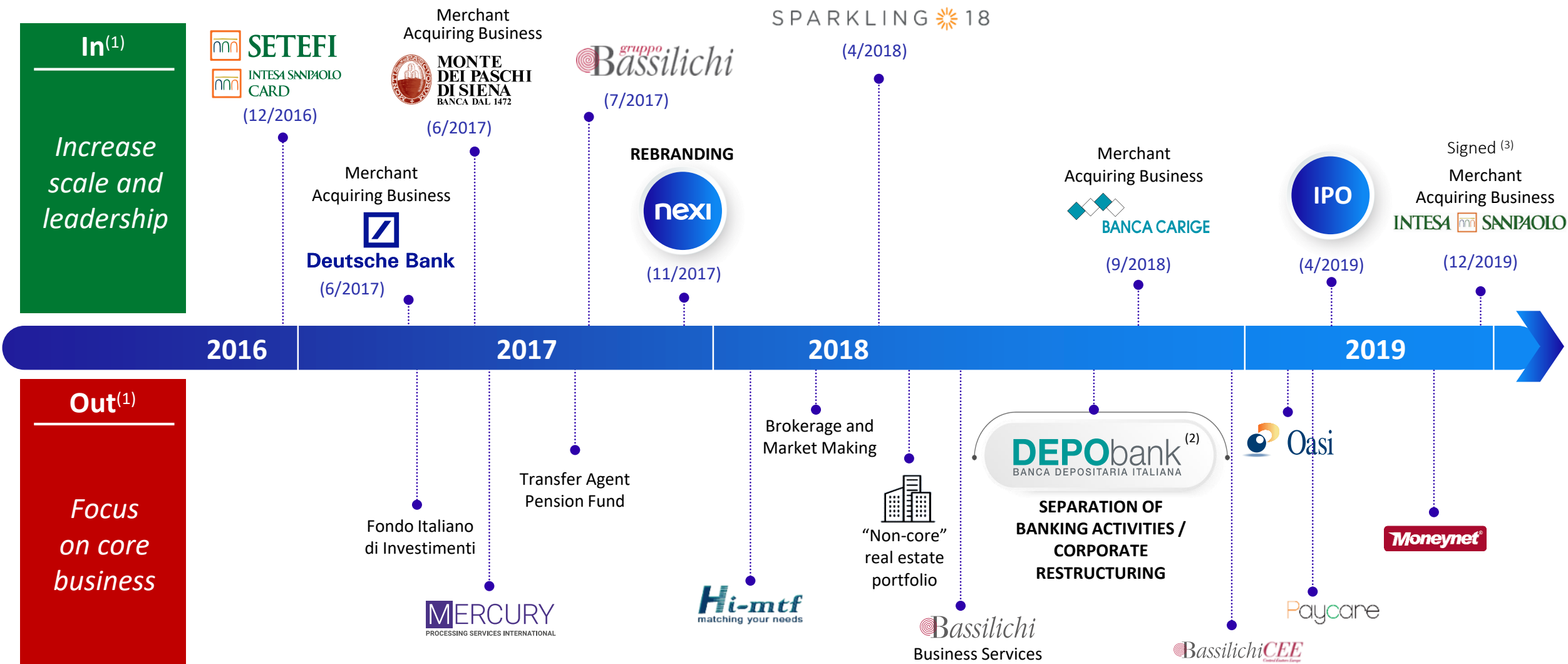
# Modular, progressive, evolutionary deployment of Next Generation Platform to boost innovation and cost-efficiency



## Key Guiding Principles

- Clear **integrated architectural vision**, detailed design and execution plan
- Gradual **step-by-step evolution**
- Modular approach in **controllable, self-standing, value-creating deliveries**
- Best-of-breed **combination of components, in-house and with Partners**
- **Nexi IP on key differentiating components** (e.g. digital front-end, API-layer, ...)
- **Full Nexi control through strong competences and governance**

# Strategic M&A and corporate restructuring core to the reshaping of Nexi as a PayTech leader








# Acquisition of ISP's Merchant Acquiring: a strategic transaction strengthening Nexi's role as the leading Italian paytech

## Key components of the transaction

- ~180k merchants<sup>1</sup> and ~€66bn of transaction volumes<sup>2</sup>
- Marketing and distribution agreement for merchant acquiring. Extension of remaining existing processing contract related to issuing and ATM acquiring services until 2044
- 1 €B cash consideration (plus potential earn-out payable in 2025), with committed bridge financing already in place
- Implied multiples: 10.5x EV/EBITDA 2020E, 16.4x P/E 2020E
- Cash flow generated by the acquiring book from Jan 1st to closing transferred to Nexi at the closing date

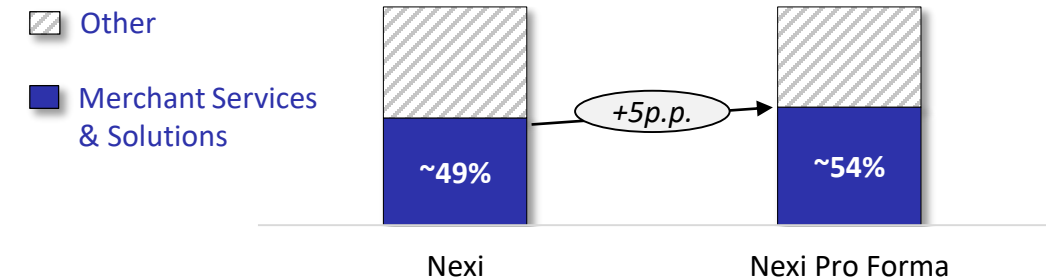
## A strategic transaction

-  Enhanced platform and positioning in the acquiring segment
-  Greater coverage of the acquiring value chain and enhanced ability to drive further innovation and value for merchants
-  Increased scale with diversification of revenue streams
-  Value enhancing transaction with cash EPS accretion in the high teens from 2020E
-  Deepening of partnership across businesses with the largest bank in Italy

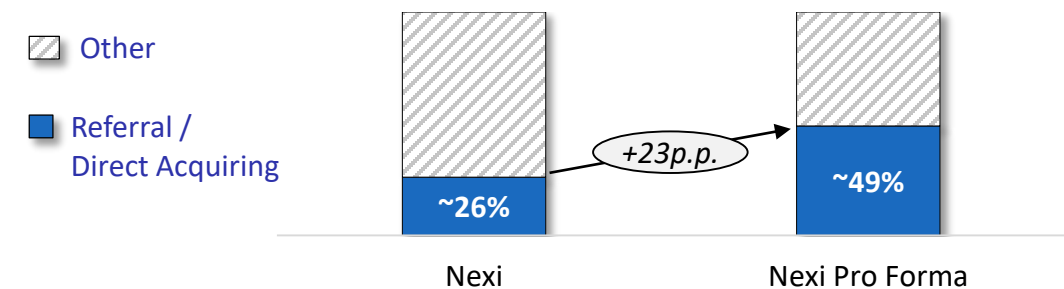
## Key 2020 P&L Figures: Incremental economics for Nexi



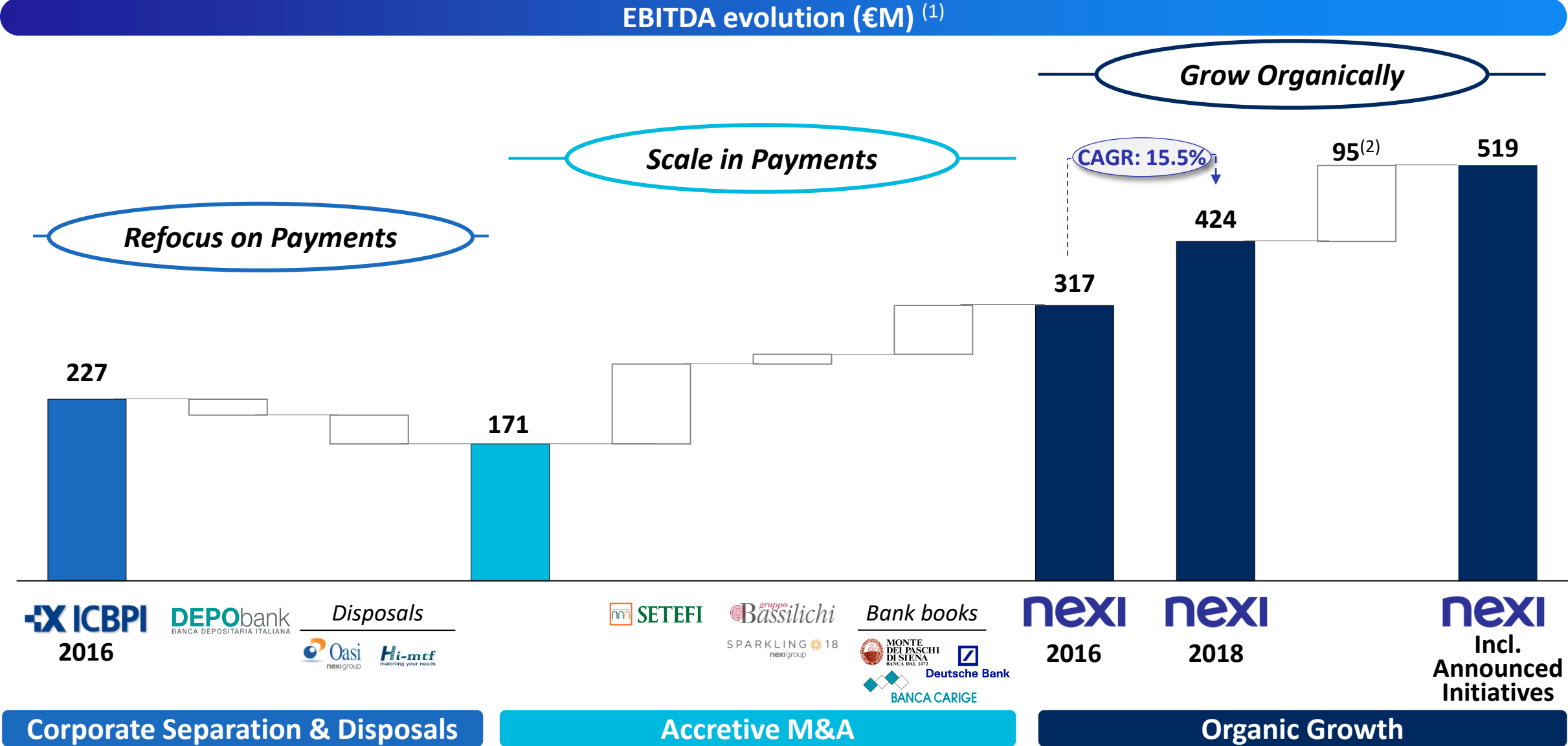
## Nexi Net Revenues Mix 2020E<sup>4</sup>



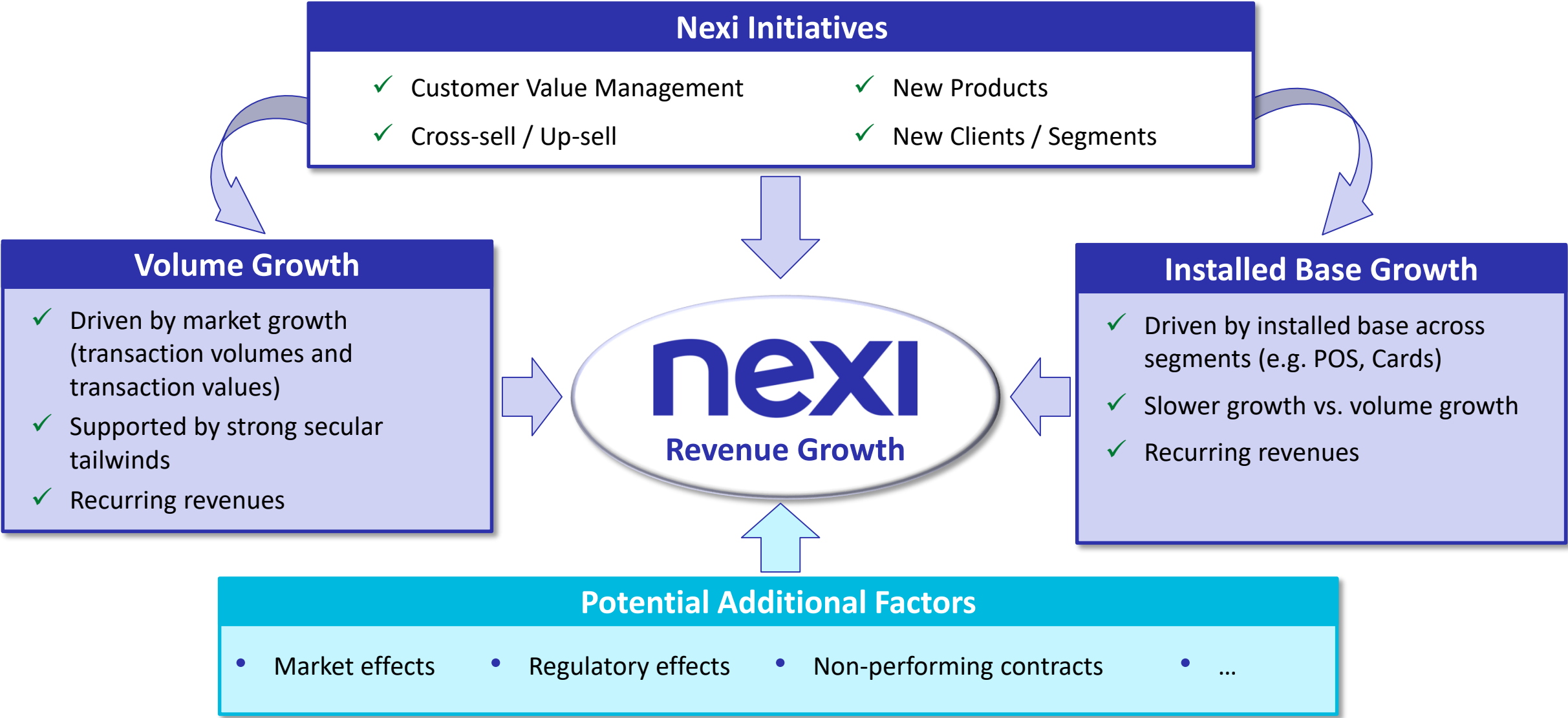
## Merchant Services & Solutions Net Revenues Mix 2020E<sup>4</sup>



# Growth driven by disciplined M&A and organic development



# Nexi revenue growth drivers

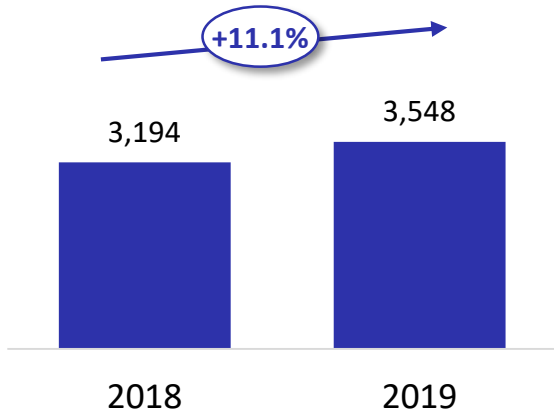


# Strong evolution in our key operating KPIs

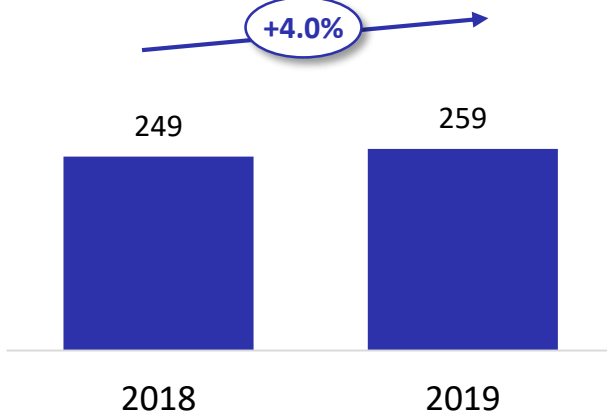


**Merchant Services & Solutions**

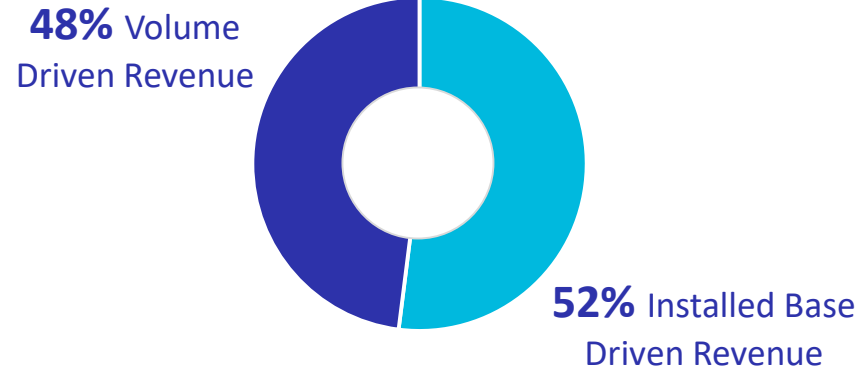

**Transaction volume (#M)**



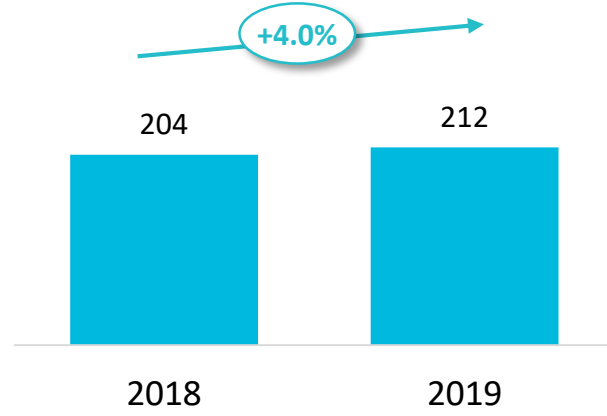
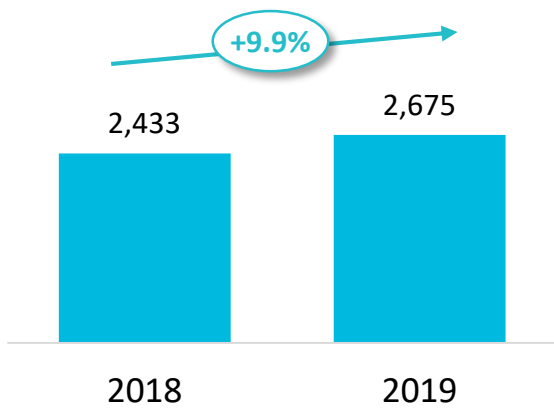
**Transaction value (€B)**



**Revenue breakdown (2019, Aggregated)**

**Cards & Digital Payments**



**Predominantly all revenues are recurring in nature**

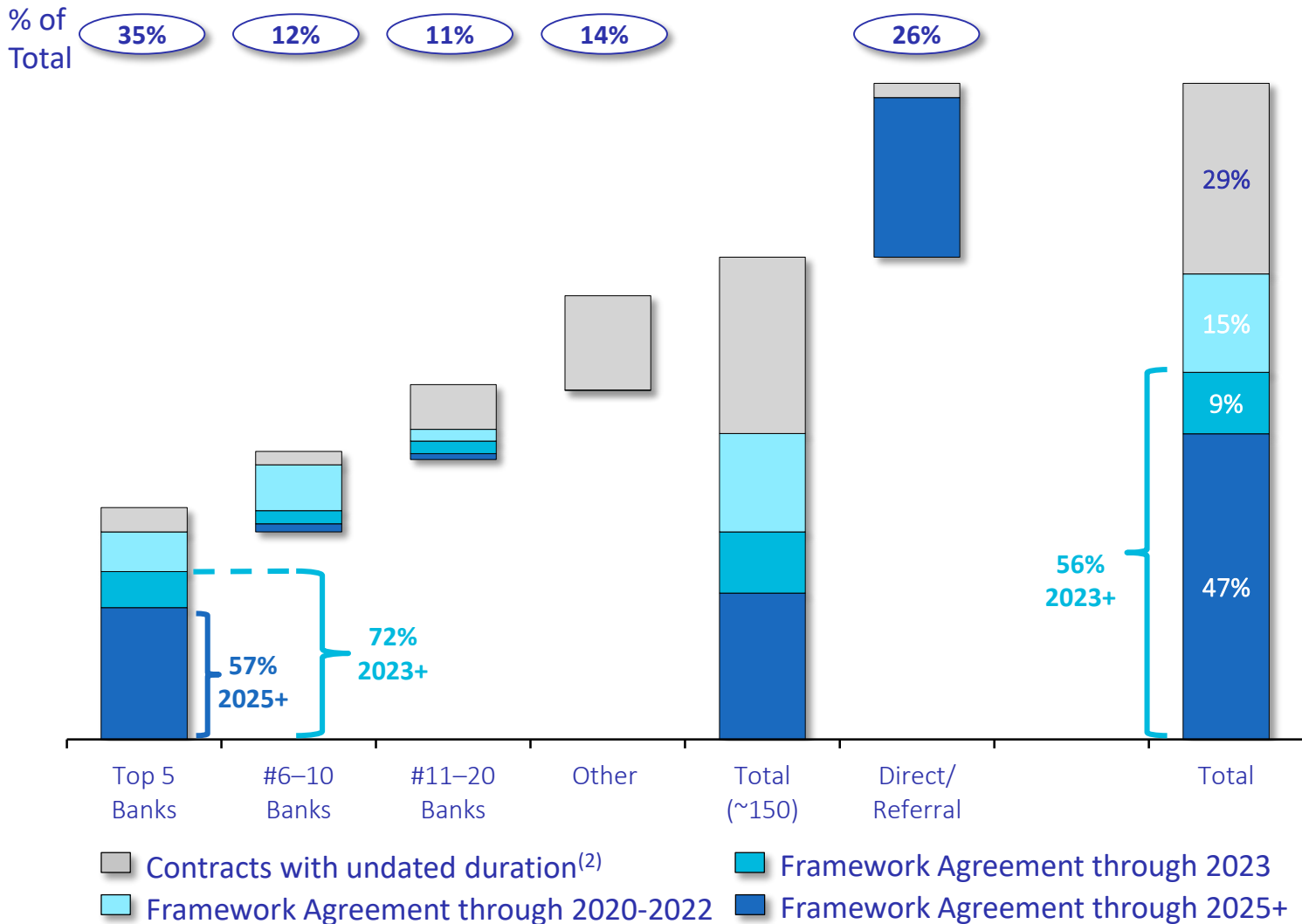
**Volume Driven linked to Market Growth (transactional based on transaction # or value)**

**Installed Base Driven linked to Client Units (monthly or annual fees for POS rental, mobile apps, cards, etc.)**



# Overview of Nexi's relationship with Italian Banks

Revenues Contribution - Pro-forma (ISP merchant book)<sup>(1)</sup>



Value-based partnerships with partner banks

Mission critical services with high switching costs and increasing shift towards outsourcing

Revenues for top customers continue to grow; relative contribution aligned with market

Majority of revenues are based on large number of granular product-level contracts

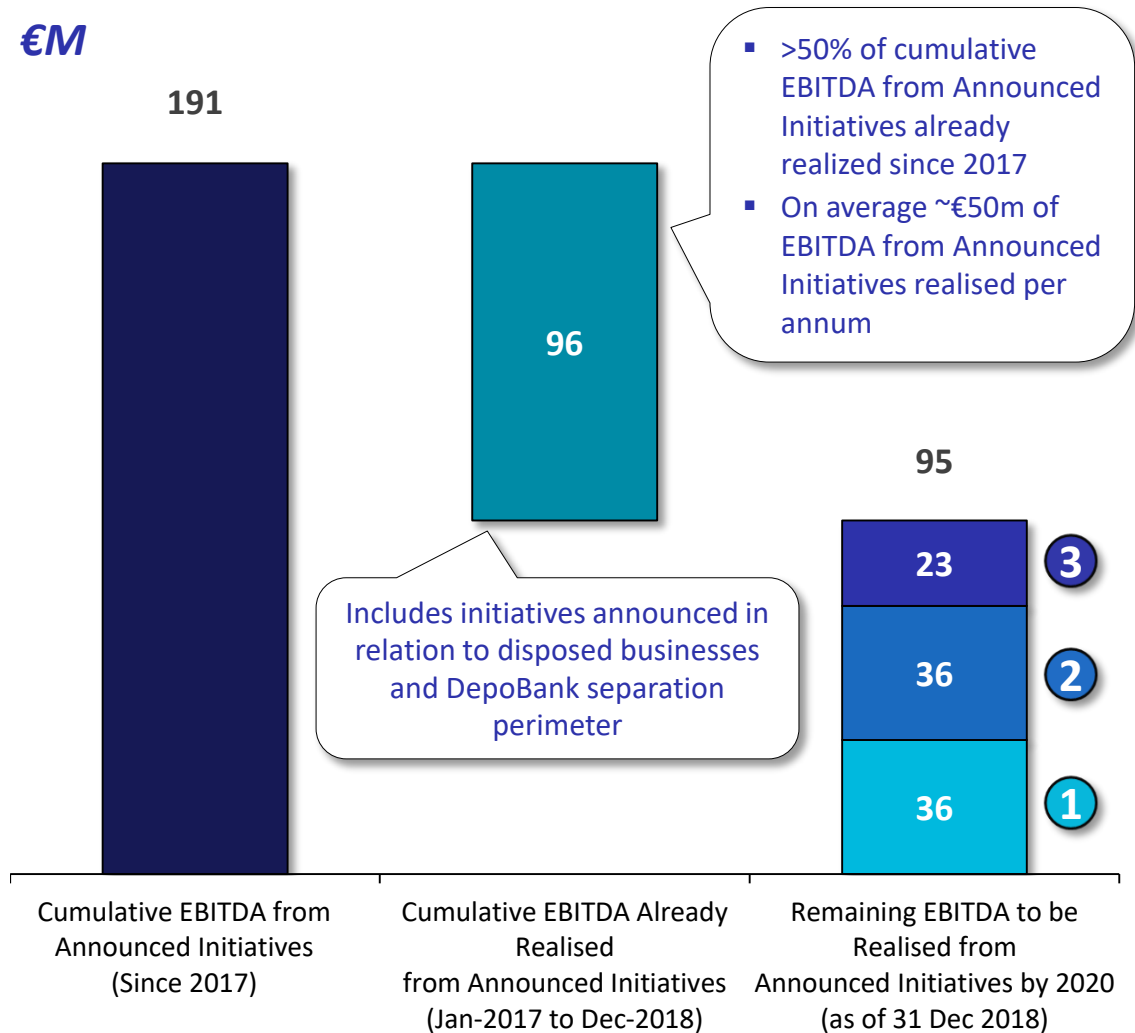
Relationships with most large banks underpinned by multi-year framework agreements

Strong track record of contract renewals and early extension of framework agreements

No material customer losses during the last 3 years<sup>(3)</sup>

# Established track record in delivering on Announced Initiatives

€M



**1 Cost Savings**

- Reduction of production costs, personnel expenses through voluntary exits and early retirements
- Renegotiated IT processing contracts with key suppliers
- Targeted actions on IT infrastructure insourcing
- Run-rate savings from operations improvement

**2 Integration Synergies**

- G&A and procurement savings
- Rationalisation of acquired IT platforms and corporate systems
- Corporate structure simplification

**3 Innovation and CVM**

- E-commerce offering
- Mobile payments (Apple Pay, Google Pay and Samsung Pay)
- International debit
- Commercial cards
- Instant payments
- Open Banking

# Disposal of non-core assets provided internal funding of transformation and non-recurring costs








## Non-Recurring and Extraordinary Items

		2016	2017	2018
<b>A</b>	<b>Non-recurring Items Affecting Reported EBITDA</b>	50	134	131 <sup>(2)</sup>
<b>Transformation</b>	<ul style="list-style-type: none"> <li>Extraordinary costs linked to transformation projects (including re-branding)</li> </ul>	36	54	38
<b>HR Restructuring</b>	<ul style="list-style-type: none"> <li>Mainly Nexi in 2016 / 2017 and Basilichi in 2018</li> </ul>	16	51	21
<b>M&amp;A, Corporate Reorganisation &amp; Other Items</b>	<ul style="list-style-type: none"> <li>M&amp;A-related extraordinary items, DepoBank separation<sup>(1)</sup>, Bond refinancing, start-up investments (e.g. YAP)</li> </ul>	(1)	29	72

Cumulative '16-'18 impact of non-recurring items affecting reported EBITDA **€315m**

<b>B</b>	<b>Extraordinary Items Below EBITDA</b>	-	33	49
<b>PPA</b>	<ul style="list-style-type: none"> <li>D&amp;A related to the acquisitions of Carige, MPS and DB books</li> </ul>	-	33	40
<b>Debt Pushdown</b>	<ul style="list-style-type: none"> <li>One-off rating agencies fees as well as amortisation of the bond cost</li> </ul>	-	-	9

## Proceeds from Disposals

Disposals	EV (€M)
Fondo Italiano di Investimenti	25
 MERCURY PROCESSING SERVICES INTERNATIONAL	114
<b>TAPF</b> (Transfer Agent Pension Fund)	16
Brokerage and Market Making	1
 Hi-mtf matching your needs	2
 "Non-core" real estate portfolio	73
 Basilichi Business Services	0.1
 BasilichiCEE Central Eastern Europe	1
 Oasi	149
 Moneynet <sup>(3)</sup>	0.1
<b>Total</b>	<b>381</b>

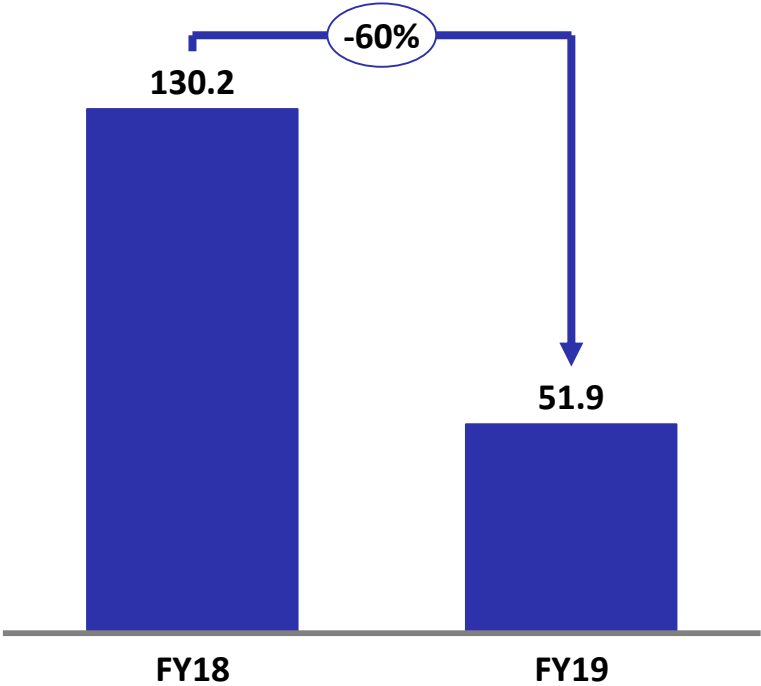
2017

2018

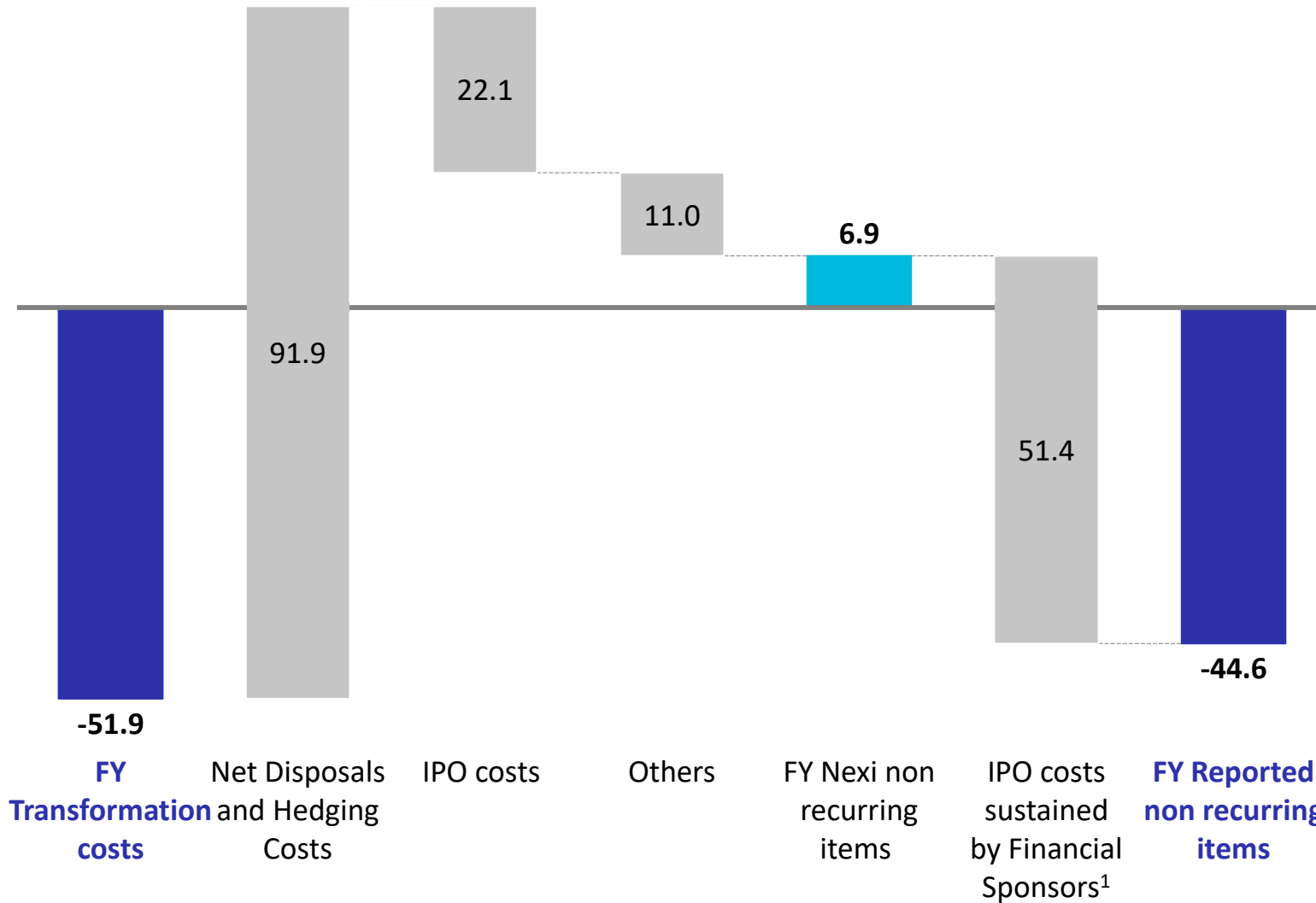
2019

# FY 2019 Transformation Costs in line with guidance

**Transformation Costs (€M)**

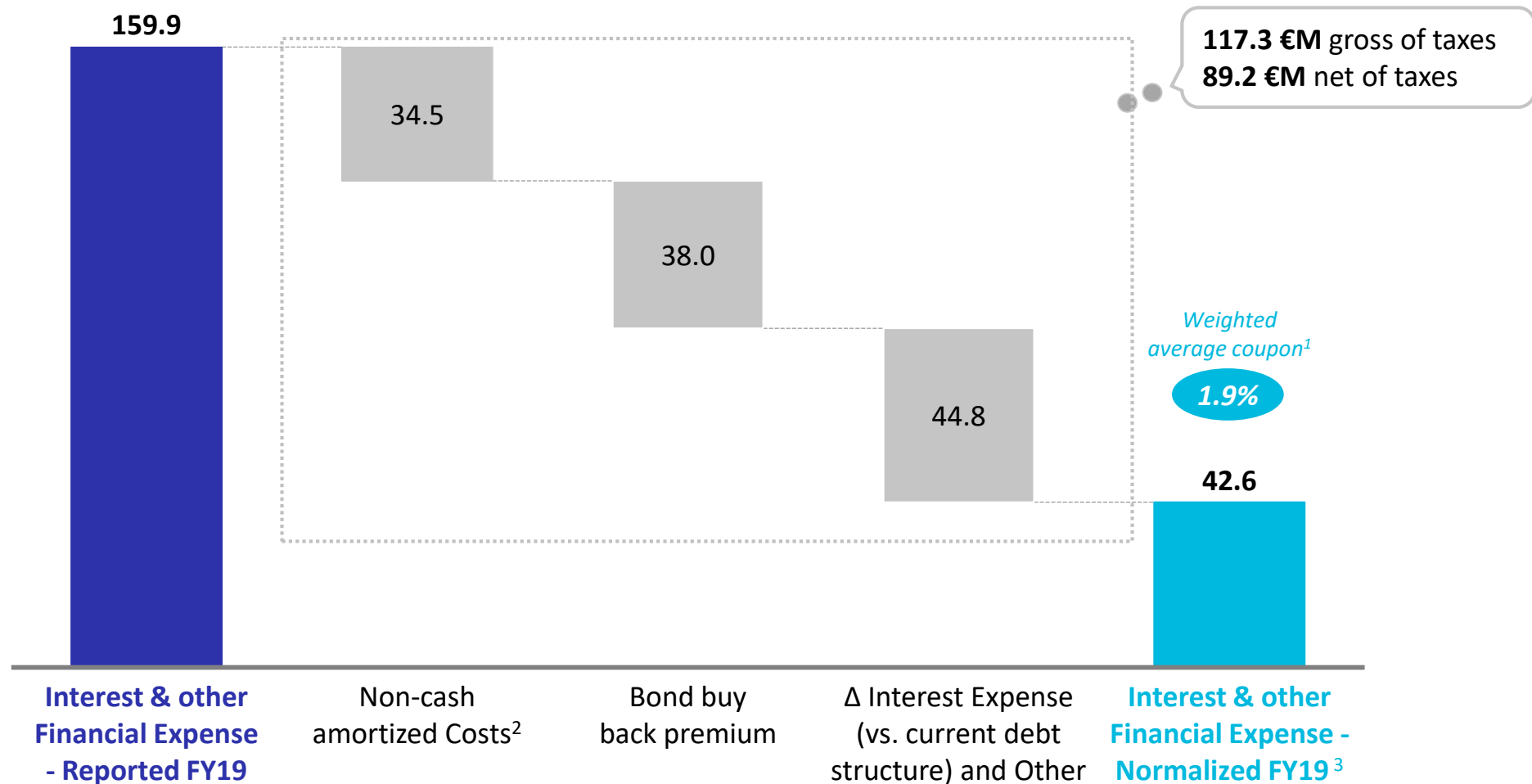


**Bridge from FY 2019 Transformation Costs to Reported non recurring items (€M)**



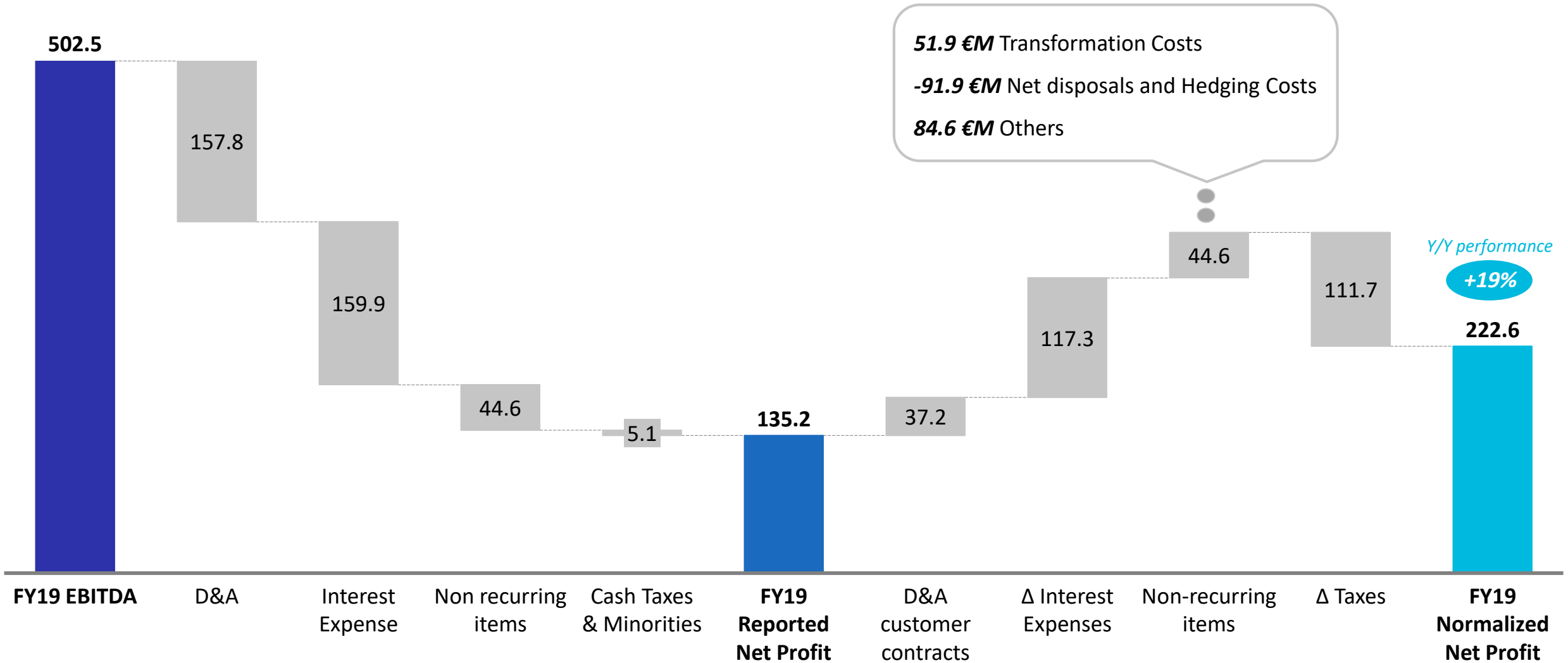
# Cost of debt reduced to 1.9% from 3.8% post reorganization in July 2018. Extraordinary events impacted 2019 Reported Interest Expenses

## Reported and Normalized Interest Expenses FY 2019 (€M)

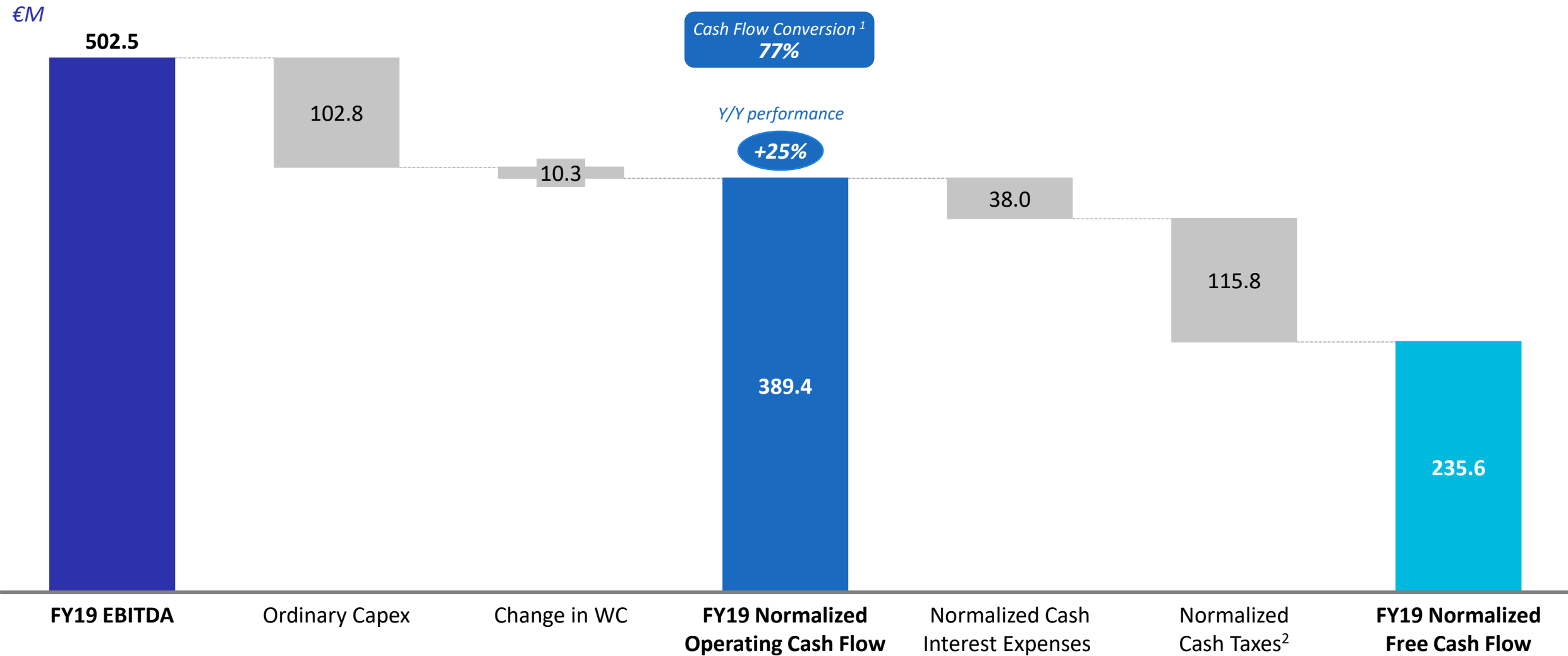


# 2019 Normalized Net Profit growing 19% Y/Y

€M



# Cash Flow conversion increased to 77% in FY 2019 vs 74% in FY 2018



# Government initiatives to support digital payments

## Main measures approved in 2020 Fiscal Decree and 2020 Budget Law – Update post Covid-19

### **Cash-back bonus for consumers**

*from 1st January 2021*

Cash-back for digital payments: 3 €B to finance cash-back.

Operational execution still under definition.

In place for 1 year

### **Tax credit on merchant fees**

*from 1st July 2020*

30% tax credit on merchant fees for card/digital transactions dedicated to small merchants (merchant's revenues <€400k in the previous tax year).

In place for 2 years

### **Lottery on receipts**

*from 1st January 2021*

Prize draw for consumers: 3 €M yearly allocated for cash payments, 45 €M for electronic payments.

In place for 2 years

### **Progressive reduction of cap on the use of cash**

Cap on cash usage per single purchase:  
- from €3,000 to €2,000 from 1st July 2020  
- to €1,000 from 1st January 2022

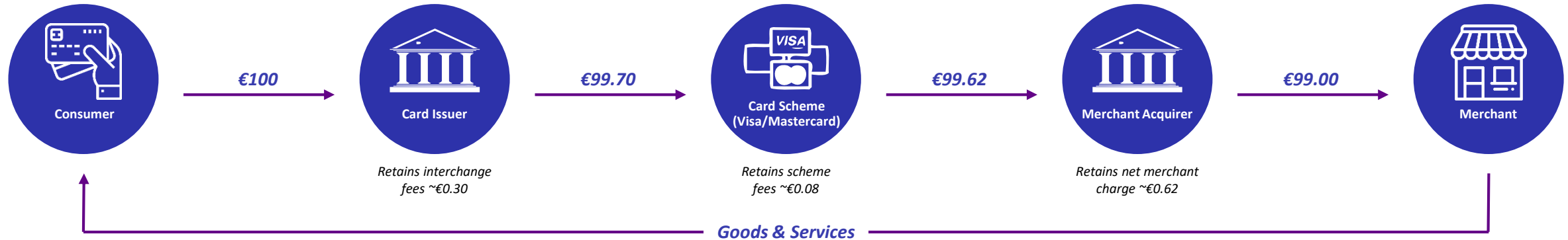
### **Tax deductibility**

*from 1st January 2020*

19% tax deduction on tax deductible expenses (i.e. interests on mortgages, sport centers/school expenses; some medical expenses excluded) if payments are made by traceable instruments



# Illustrative demonstration of issuing and acquiring payment flows



<b>Consumer</b>	<ul style="list-style-type: none"> <li>Makes a digital payment by presenting a payment card for its purchase at a merchant (which may be a retail outlet or online store)</li> </ul>
<b>Card Issuer</b>	<ul style="list-style-type: none"> <li>Bank or other service provider which manages the consumer's payment card and underlying bank account or credit allowance</li> <li>Receives a digital request to authorize the card transaction, after verifying that the consumer has sufficient funds available</li> </ul>
<b>Card Scheme</b>	<ul style="list-style-type: none"> <li>Passes the payment to the merchant acquirer less a scheme fee and an interchange fee payable to the card issuer</li> </ul>
<b>Merchant Acquirer</b>	<ul style="list-style-type: none"> <li>Settles the transaction value with the merchant</li> <li>As compensation for its services to the merchant, it charges the merchant a gross merchandise service charge, based on a percentage of the transaction value</li> </ul>